

# Business digest and investment weekly



## CHINA

## —Business Conditions

Foreign Firms in China. *Weekly Export Bull.* July 10 '20 p. 18. 10 words. [Listed exports of Chinese Maritime Customs show 6930 foreign firms in China—4183 Japanese, 1154 Russian, 606 British, 254 American, and 156 French.]

## CIGARS

## —Advertising

Getting the Customer Wrong. Reasons Behind the New Idea for Civil Cigars—New Following Observed. *Trade Shipments Made to Soldiers in France* (the of the *Lancer*). *Advertiser* July 13 '20 p. 419 words. 1 illus.

## CONTACTS

Contact Principles. By Wilfred G. Apple. *Purchasing Agent* June '20 p. 61. 3000 words.

## CO-OPERATIVE ASSOCIATIONS

What Your Association Can Do for You. Here Are Described Eight Methods Which Have Improved the Business and Conditions. *Advertiser* June '20 p. 1191. 1000 words.

## COPPER

## —Prices and Supply

What Are the Prospects for Silver and Copper Metal? Is Copper on Verge of Recovery? Production Prospects for Both Metals. By Eli S. Blair. *Mag. of Wall St.* July 10 '20 p. 229. 1200 words. 1 chart.

## CREDITS AND CREDIT WORK

Uneven Sources of Information. By J. C. Locke. *Mishawaka* July 10 '20 p. 2400 words. [Discusses such essentials outside the "regular sources" of credit information as knowledge of economic and political conditions, of law, and of psychology.]

Beware of Composition Settlements. Encouraging a Dishonest Merchant Makes Himself Once Suffer. Interview with C. D. West ("Zephos"). *Credit Monthly* July '20 p. 18. 2000 words.

Crust of the Crises Passed. By R. S. Hawes. President First National Bank, St. Louis. *Credit Monthly* July '20 p. 1. 1700 words. [Explains why credits were tight, the banks' part of stabilizing the credit situation and the tremendous part played by the Federal Reserve system as savior of the financial situation in the last six months.]

## CURRENTY

## —Russia

Article digested on p. 91.

## CURTIS AEROPLANE AND MOTOR CO.

Article digested on p. 97.

## DELIVERY

## —Delays In

Bureau of Information. *Purchasing Agent* June '20 p. 30. 400 words. [Where goods are purchased, i. e., shipping point, thirty days net from date of shipment, delayed delivery because of transportation difficulties do not free the buyer from his obligation to pay according to the selling terms. Ownership is conveyed to the buyer when the seller hands them over to the transportation company, which is bound to deliver to the buyer.]

## ENEMY TRADING

Article digested on p. 88.

## EUROPEAN WAR

## —French Treaties

The Conferences at Spa. *Chronicle* July '20 p. 31. 1000 words.

## FOOD AND COMMODITY PRICES AND

## TRENDS

Has the "Clock" Come? By Ralph J. Livingston. *Purchasing Agent* June '20 p. 41. 1500 words.

## FOREIGN EXCHANGE

Adoption of the Standard of Quoting Foreign Exchange. *Chronicle* July '20 p. 31. 300 words. [New York banks quote gold and foreign exchange in cents a dollar's face.]

## FRENCH

Regulation of Foreign Exchange Transactions with Soviet Russia. *Chronicle* July '20 p. 31. 100 words. [Restrictions have been removed from the export of

coin, bullion and currency and from transactions in foreign exchange, except for 100,000,000 francs with or for persons in that part of Russia now under the control of the Russian government.]

## FRANCE

What Will America Do With Her Foreign Trade? Huge Trade Inquiries from the United States to the French Government. *Mag. of Wall St.* July 10 '20 p. 235. 2000 words. 1 table.

## FINANCING

Facilities They Will Provide for the Financing of Export Credits. At the Economics of Latin America and the Far East. By C. E. Herring, First Assistant Director, Bureau of Foreign and Domestic Commerce. *Mag. of Wall St.* July 10 '20 p. 235. 2000 words. 1 table.

## FINANCIAL

Maintaining Volume of Exports. By Walter F. Edge, Senator for New Jersey and Author of Edge Law. *Credit Monthly* July '20 p. 11. 1500 words. [Discusses the importance of maintaining a high level of exports in connection with the National Association of Credit Men.]

## FINANCIAL

Business Situation Conditions in Berlin and Hamburg. A Credit Man's Notes on a Recent Visit to Germany. By Frederick Earle French, Credit Manager, John V. Freese & Co. *Credit Monthly* July '20 p. 16. 1000 words.

## GREAT BRITAIN

## —Finance

Money, Currency and Inflation. By Isaac O'Neill. *Financial Rev. of Reviews* June '20 p. 210. 2000 words.

## GRANARY COMPANY OF NEW YORK.

## —Inc.

Article digested on p. 97.

## HUNGARY

Americanization Work The Opportunity and Duty of Selling Bank Employees. By William J. Foster. *Wholesale* June '20 p. 104. 2000 words.

## IMPERIAL ELECTRIC RAILWAY CO.

## —Tokyo

Article digested on p. 97.

## INCOME TAX

Article digested on p. 88.

## GREAT BRITAIN

Income and Profits Under the Budget. By John Burns. *Financial Rev. of Reviews* June '20 p. 201. 2000 words.

## INDUSTRIAL ENGINEERING

Adoption of New Management Ideas. By J. C. Laver, Department of Industrial Engineering, California Institute of Technology. *Engineering* June '20 p. 100. 200 words. [Describes briefly how at the summer course in this department, June 10 to 12, 1920, supervised by him, many owners, accountants, purchasing agents, foremen and other factory administrators.]

Analyzing Industrial Engineering—Past, Present and Future. View of the Importance of Engineering to the State in this Direction. By Irving A. Herndon, Vice-President of C. A. Knapp & Co. *1920* July '20 p. 33. 1000 words.

## INSURANCE

## —Social

Report of the Illinois Pension Laws Commission, 1918-19. *Labour Rev.* Apr. '20 p. 189. 800 words. [Commission presents a proposed plan for a comprehensive and permanent system of pension funds to replace the unworkable system of present pension laws for public employees in Illinois.]

## ITALY

Regulation of the Employment Service and Unemployment Insurance in Italy. *Labour Rev.* Apr. '20 p. 191. 800 words.

State Assistance for the Unemployed in Poland. *Labour Rev.* Apr. '20 p. 191. 800 words.

Social Insurance in Switzerland. *Labour Rev.* Apr. '20 p. 191. 800 words.

Provisions for Unemployment Relief in Switzerland. *Labour Rev.* Apr. '20 p. 191. 800 words.

## INTEREST

## —Rates

Money Outlook for Fall Not Encouraging. Rates Have Been Climbing Rapidly During the Season When They Should Be Normally Easy. By C. D. Norton. *Mag. of Wall St.* July 10 '20 p. 229. 1000 words. 1 chart.

## INTERNATIONAL MOTOR TRUCK

## —CORPORATION

Article digested on p. 97.

## INVESTMENT

Investment Methods of a Millionaire. How Investor K. Prentiss Accumulated over \$1,000,000 as Revealed by His Security Holdings at the Time of His Death. By William T. Connor. *Mag. of Wall St.* July 10 '20 p. 200. 400 words. 2 tables.

## INVOICES

The Knack of Billing a Client. By Dwight G. McCarthy. *System* June '20 p. 1183. 400 words. 1 illus. [Describes bill form used in a law office and adaptable to other professional bills in which statement is itemized and lump sum charges for services, so total disbursements and total credits appear. Charges and separate items are carried out on the right margin of the statement and the margin is torn off at the perforated line and kept in the lawyer's office. The effect of the itemized statement is to make the client realize the time and effort spent in his case.]

## JAPAN

Business Situation The Real Sufferers in Japan's Business Crisis. Wild Speculation and Currency Inflation Basis of the Slump—Commissioner Den Analysts Its Basis. *Mag. of Wall St.* July 10 '20 p. 202. 1700 words. 3 illus.

## JEWELRY

Advertising of Famous Charities in Advertisements Boost the Sales of Wedding Rings. By D. G. Baird. *Practitioner* July 8 '20 p. 87. 500 words. 1 illus.

## JUGO-SLAVIA

Commerce New Jugoslavica Trade Organization. *Weekly Export Bull.* June 6 '20 p. 14. 150 words. [Banque de Credit de Prague organized to promote foreign trade of Jugoslavica.]

## KNIT GOODS

Knitting Arts Exhibition and Convention. Commercial Advertiser June 20 '20 p. 1600 words. 2 illus. [Sixteenth annual convention and exhibition of knitting machinery, mill supplies, yarns, hosiery and underwear at Philadelphia.]

## LABOR

Article digested on p. 85.

Co-operation in Combating Strike Successfully. By E. S. Cowdick, Asst. to President, Colorado Fuel & Iron Co. *1920* June '20 p. 300. 2000 words. [Colorado Industrial Plan of employees' representation applied in this concern practically nullified effects of coal strike.]

Are We Helping the Radicals? For Evil Men to Accomplish Their Purpose, It is Only Necessary That Good Men Do Nothing. Perhaps the "Do Nothing" Men are Responsible for Much of the Industrial Unrest. By Charles H. Norton, General Manager, Collins Service. *1920* June '20 p. 64. 1000 words.

# One Hundred Bargains In Industrial Preferred Stocks

AGAIN ONE OF OUR WEEKLY LETTERS lists many attractive investments; this time in the field of industrial issues.

THE REGULARITY with which our clients receive valuable information of this character is but one feature of our many-sided Service.

A FEW EXTRA COPIES of this letter being available, we will be pleased to mail them to the first interested inquirers. Enclose two cents postage with your name and business address for Circular No. 531.

## MOODY'S INVESTORS SERVICE

JOHN MOODY, President

35 Nassau Street

Tel. 2947-8-9 Rector

NEW YORK CITY

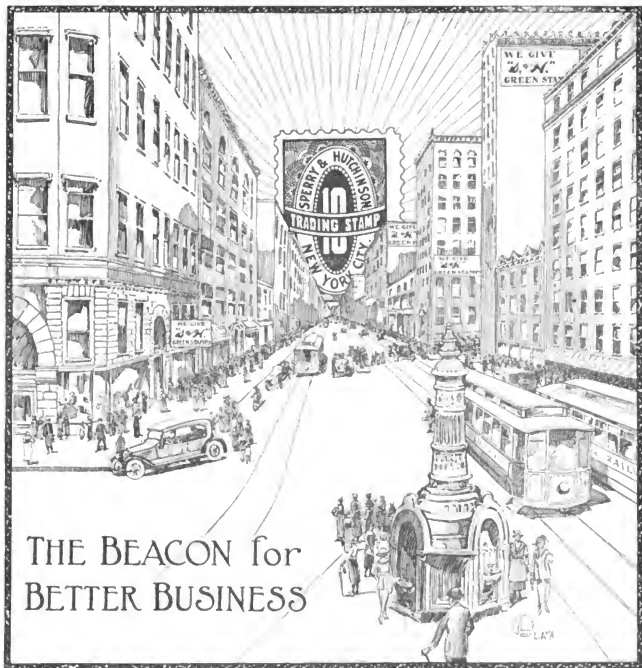
FOUNDERS OF MOODY'S SYSTEM OF INVESTMENT RATINGS











## THE BEACON for BETTER BUSINESS

*IN the tributaries of trade and in the heart of the home the **Sperry** Service of co-operative discount, through the medium of the Z.H. Green Stamp, fills a human need in a thoroughly practical and human way. Since 1896 it has encouraged cash trading on the part of American housewives which in turn benefits the merchant and the community he serves.*

**THE SPERRY & HUTCHINSON CO.**

*George B. Caldwell, President.*

114 FIFTH AVE.

NEW YORK



Not only is the dealer taught how to get merchandising value out of his windows with the human interest element emphasized, but the wisdom of using every bit of display space is driven home by the use of a case in the store entrance.

For the benefit of its dealers, the General Electric Company has constructed a miniature electric store 22 by 60 inches with every detail made to scale. The model is equipped with store and office fixtures down to the smallest items, ink wells, bottles, etc., while the show cases and shelves are filled with goods in miniature sizes. All the furnishings are genuine materials except the floor, which is painted to resemble tiling. The Prosperity Electric Store has proved a great success as a dealer help. Last year thirty complete stores were patterned after it.



How to arrange glass floor cases, wall cases and shelves, wrapping counter and cash register is pictured in this interior view of the miniature store. Not an inch of space is wasted, yet there is a clean, uncluttered appearance that will increase customer interest and sales as well as save time and labor for the dealer who follows the plan.



The dealer is told how to apportion office and storage space, the little room at the lower left being reserved for storage. The corresponding open footage at the rear of the store is the office. He is shown, too, where to place his electric kitchen and laundry appliances so they may be examined and demonstrated easily and advantageously.

Courtesy of "Printers' Ink Monthly"



# BUSINESS- DIGEST AND INVESTMENT WEEKLY

Vol. 26

July 30, 1920

No. 5

## CURRENT COMMENT

### *The Railroad Wage Award\**

In its first application of the labor sections of the Esch-Cummings Act the Railroad Labor Board has, in general, established rates of pay which more than overcome the asserted rise in the cost of living since the beginning of the war period. The Department of Labor, which will not be accused of understating it, has put the advance in the cost of the necessities of life at a little less than 95 per cent. With yesterday's award in effect—and it should be noted that it is retroactive to May 1, with unhappy Uncle Sam holding the bag to the extent of several hundred millions—railroad men will have had their rates of pay advanced approximately 104 per cent from the 1915 basis.

Admittedly the cost of living does not absorb the entire earnings of any class of wage workers to-day, nor did it for railroad employees in 1915 or any other year. From such studies as have been made, which necessarily result in generalizations of uncertain value, it may be said that real living costs absorb from 65 to 70 per cent of the representative wage worker's income.

If it was 70 per cent in 1915, and if these costs have advanced 95 per cent as the Department of Labor says they have, the new wage scale imposed by law upon the railroads gives the men the full increase in living cost and an increase of 126 per cent in the margin of income available for cultural advantages, recreation and investment, not to mention cord tires and gasoline.

It can be argued with a superficial plausibility that workers in other industries have fared better, but the board has already disposed of that pseudo-argument. It frankly and courageously refused even to pretend that it had equalized the pay of railroad men with the emergency wages now being paid in certain other lines of work. Men of little or no skill are drawing larger pay envelopes in the building trades, where they are working at all, than some of the fairly skilled men on the railroads, but their employment is seasonal and they must move from place to place by the hundreds of thousands to obtain employment for even part of the year. The time is coming when they will be competing for places at half their present daily wage, whereas any fairly competent and industrious railroad man has a permanent job and, most of them, definite pension rights.

It is not to be believed that the railroad labor unions so misunderstand the drift of affairs as might appear from some of their comments upon the action of the board. Certain dark hints of what the men may do to express their imputed dissatisfaction with their lot may be taken at generous discount. It is considered good labor union tactics never to admit that a wage settlement distantly approaches justice. The public may confidently expect after a few days to see the men accept the Labor Board's decision as a good thing, and settle down to their work as they have not done at any time in the past three years.

They will know better than to imagine that the Pennsylvania Railroad's dismissal of 12,000 unnecessary men, taken on during Federal control, is a mere gesture.

And yet little disposition has so far been evinced, unless perhaps in certain radical railroad labor circles, to criticize the award of the Railway Labor Board. It is perceived that the wage increases contained in the award, while they are larger for some classes of workers and smaller for others, will not raise the average wage level for all railroad workers to a greater extent than the general price level of commodities—or the "cost of living" has risen since 1914, nor probably to quite as great an extent as the wage level has risen since before the war in American industries as a whole. To be sure, this statement is not accurate if account be taken of the reduction of the basic railroad working day to eight hours by the Adamson Act in 1916; allowance being made for this reduction and for its effect upon the railroad wage time unit, the new wages established by the Railway Labor Board show in all cases, except possibly those of the highest wage groups, increases decidedly in excess of the average increase of commodity prices since 1914 and, it would appear, somewhat in excess of the wage increases in the majority of industries. This is a consideration, however, to which comparatively little attention is now given, since it is no longer fashionable to co-ordinate closely the wages of industrial workers of any kind with the hours they work or with the amount of their production. Thinking in this domain now attaches itself primarily to such matters as the "cost of living," the "maintenance of a proper standard of living," etc., and concerns itself only to a slight extent with questions of the proper relativity of production and remuneration.

## Price Tendencies Still Downward†

Recent betterment of agricultural prospects has not failed to affect business sentiment favorably, but crop considerations are not the governing factor in the immediate situation, and the advance toward mid-summer finds the lull in commercial activities continuing. While some of the present slowing down is seasonal, and is therefore not unexpected, yet the compelling reasons for the existing quietness still appear in price uncertainties and in railroad drawbacks, and financial aspects are likewise influential. The freight tieup, from which adequate relief is unfortunately slow in developing, causes inconvenience and concern to many interests, and not only serves to prevent some transactions that might otherwise be consummated, but also tends to restrict outputs and to further inflate some prices. Inability to promptly obtain needed supplies of fuel is embarrassing to dependent industries, and the accumulation of product at manufacturing plants threatens shutdowns in various instances, the piling up of material at steel works having reached burdensome proportions. Important as the element of transportation congestion is, however, the price question remains the overshadowing feature, and now has an increasingly potent influence in shaping current and future business operations. With the conviction growing stronger among buyers that the main price movement

will be downward until more normal levels are established, hesitation in entering upon forward commitments has become practically general, and considerable machinery is idle in textile mills and elsewhere because of lack of orders. Not only are price declines this week again in the majority, but openings of new lines of some goods for advance seasons have been announced at appreciable reductions in quotations, thus demonstrating the changed attitude of sellers, and predictions of higher prices to follow in certain quarters do not obscure the fact that many markets are now yielding. Reflecting the price readjustments and the shrinkage in volume of business, bank clearings at different points now disclose a narrowing of the margin of increase over last year's figures, while the recent rise in the commercial mortality has been such as to compel attention.

Another week having failed to bring appreciable relief from the obstacles that have long been confronting the iron and steel industry, suspension of work at various plants is now reported to be imminent. Results of June production were more favorable than had been expected, but the piling up of material at manufacturing points has continued, and it is said that only a sudden and decided turn for the better in the railroad situation can prevent many shutdowns. With prices of fuel soaring, and banking of furnaces in prospect, the pig iron market not unanimately maintains its firmness.

\* Wall Street Journal, July 21, 1920, and Economic World, July 24, 1920. † Dun's Review, July 17, 1920.

## Benefits of "Open Price" Associations

Various Plans of Such Associations and Why It Is Helpful to the Manufacturer and the Public for Him to Exchange Price and Other Trade Information With His Competitors

LASTLY the "open price" plan has had a lot of publicity. The recent Memphis decision against the American Hardwood Manufacturers' Association, and the further fact that the Attorney General's Department is looking askance at other price-exchanging organizations, have made many manufacturers wonder about their own status under the "open price" plan. C. H. Kohrbach and John Allen Murphy, in one of their series of *Printers' Ink* articles on trade associations, tell something of the good these organizations have accomplished.

In his first issue of *The Market Reporter* the Department of Agriculture said:

"It is hoped that the *Market Reporter* may be of direct assistance alike to producers, dealers and consumers. The producer should know what prices have been and what they now are on a country-wide basis, and he should know this not only for his own kinds of products or crops, but also for other kinds, in order to be in a position to judge what prices ought to be for his own produce. It is to the advantage of the dealers as a class that market knowledge be extended so that supply and demand may be quickly balanced everywhere and no unduly high prices long prevail in one section nor unduly low in another. With a risk of wide local fluctuations lessened, the dealer can trade profitably on a smaller margin, thus permitting a higher price to the producer and a lower price to the consumer. Consumers as a class are also protected because any temporary or sectional advance will be quickly offset by increased supplies from sections where lower prices prevail.

There in a nut-shell is the "open price" theory, and it will be seen that the Government is doing for the farmer exactly what the legitimate "open price" association is attempting to do for the manufacturer.

### VARIOUS PLANS USED

A. J. Edov, a Chicago attorney, who is now legal and economic counsel for a number of these associations, is credited with originating the plan. It has been in operation for about 10 years in the Bridge Builders and Structural Society. Here is how it works out:

Specifications have been issued by a large buyer. As various manufacturers submit bids they send copies to the secretary of the association, who immediately exchanges them with all the members whose bids are in. A member is at liberty to send in a revised bid if he wants to; his only obligation is to send copies to the secretary. After the contract is awarded the secretary sends a copy of it to each bidder. Past transactions of this sort and the cost of the work that has been executed on these contracts form the basis of discussion at the monthly meetings.

Where the jobber and dealer enter into the trade certain associations have followed this practice:

Price lists and discount sheets are exchanged, and also filed with the secretary. Whenever a member quotes at variance with these published prices he informs the secretary, after the quotation has been made, and he immediately notifies each of the other members.

In other groups the members mail to one another direct their price lists or

notices of changes in their established general market prices. They send copies of their quotations to the secretary, who exchanges them only among the concerns who bid on a specific order. Other associations send daily carbons of all quotations to the secretary, who promptly reports them out to all members. Others have a selected list of their products on which published prices are reported once a month to the secretary, who issues a sheet showing in tabulated form the prices of each member on these comparable products.

### COLLECTION AND DISTRIBUTION OF STATISTICS

Even more important than the exchange of price information is the collection and distribution of trade statistics, which also take many different forms.

For example, some associations report daily the number of orders received, their value, and the quantity sold or shipped, which forms the basis for a monthly statistical report to each member showing his percentage of actual quantity production to normal; actual value production to normal; actual quantity sales to normal; actual quantities sold new users as related to total quantity sold, so as to determine new users, or members creating new business.

These reports also show the time required to fill unshipped orders and contracts and the number of sales the member has made below his printed price list, as well as the total number of such sales.

On other "exchanges," as many of them are called, sales are analyzed each month showing the geographical distribution, the total business compared with previous months, and the maximum, minimum

imum and average prices of different qualities of the same goods.

The exchanges are so open in many of the organizations previously referred to that each member knows practically all about every other member's business. Others, while in some instances allowing one another informed reflecting changes in their general price levels, maintain strict secrecy with respect to their individual business transactions. In these associations, raw orders, shipments, and sometimes also production, stocks on hand, and unfilled business, are reported daily, weekly, or at longer intervals, as the case may be. The figures are tabulated, usually monthly, sometimes oftener, and each member receives a report of the general totals, his individual totals, and the percentages of the general totals that his own figures are. He learns nothing about his competitor's business. A number of these associations also plot the volume fluctuations from month to month on graphic charts.

#### WHERE STATISTICS SAVE MONEY

There was a difference of opinion in one group about whether some of the statistics on sizes of their product were worth the trouble of collecting. Two incidents decided the members in favor of the statistics.

One sales manager said that he had been carrying in stock for a long time a certain large size, and was just about to accede to the request of his stock manager to sell it as a "job" at the price of the next smaller size, when he thought himself of the association's statistics. These disclosed that there had been quite an active demand for that particular size, so he instructed his sales force to get busy, and the goods were disposed of in short order. In this case the statistics saved him from taking a loss of several thousand dollars. The other instance was much along the same line, the manager stating that he laid out his production with the aid of the statistics, and mentioned specific items which he put into production, after consulting the statistics. He was thereby enabled to take care of profitable orders, when they came along, which otherwise he would have had to pass up for want of stock.

In another organization the statistics showed 158 different patterns, finishes and sizes of a certain item on the market and that over 90 per cent of the sales were confined to 50 of the 158.

One concern was getting up an expensive new catalogue. It was selling just about enough of one of these patterns to make it worth while cataloguing, but on receipt of the statistics it found that it was practically the only concern selling this particular one. Thereupon it decided to eliminate it in favor of standard goods on which there was a larger turnover. There was another pattern on which it was selling so few that it had decided to leave it out of the new catalogue, but the statistics disclosed that it was one of the biggest sellers among the other members, so the company kept it in and determined to give it the attention that it evidently deserved.

Just one more: A certain sales manager telephoned the association secretary that another member was selling 10 per cent under him in sections of the West. How was he going to do business with this sort of competition confronting him? His salesmen were up in arms, and demanding that they be allowed to meet the lower prices. The secretary made

an investigation and then laid some figures before the organization's members which showed that over a period of several years his proportion of the total business reported in the industry had been within a fraction of 15 per cent, and that during the six or eight weeks in which the lower prices had been operating against him his proportion had actually been running close to 17 per cent. He was satisfied, and a disastrous war within the industry was nipped in the bud.

The trade association statistics of the American Iron and Steel Institute, the Bridge Builders and Structural Society and the Tanners' Council are accepted as authoritative by trade publications and economists, and are even used by the government.

#### DANGERS OF IGNORANT COMPETITION

To get an idea of the good accomplished by these associations in stabilizing, but not choking competition, one has only to go to the days and the industries without any such associations. Typical of conditions existing ten years ago in almost every industry are those pictured in the combining industry in E. N. Hurley's "The Awakening of Business"—fierce competition, overproduction, ignorant price-cutting and disaster.

Charles R. Murphy, a prominent manufacturer of Decatur, Illinois, referred in a speech before the Decatur University Club to the failures in Decatur's history, how its steel mill, woolen factory, paper mill, lagging factory, wagon works, tile factories, mantle factory, shoe factory and other industrial enterprises had been liquidated. He told how in a certain large national industry there were once 189 concerns in business, and that the industry had suffered 339 failures in seventeen years. All due to ignorant competition.

True, you may argue that the consumer got the benefit of lower prices while these concerns were on the road to ruin, while their capital was being absorbed in the goods that they sold below cost. But what of the idle factories, the abandoned machinery gone to rack and ruin? There is an economic waste. The consumer pays for it in the long run.

Let us take another illustration from the same speech: "A little factory was started in a certain line of business, in a small town in Georgia. The owners were good workmen and knew how to make a cheap staple article, but they knew little of costs, or the market. When the factory got going they sent out a salesman, who traveled all over the South and sold these staple goods at 20 to 30 per cent below the market price. One big Atlanta house heard of this competition and met the price. Then a Chattanooga salesman reported that Atlanta had cut, so Chattanooga met Atlanta, Memphis met Chattanooga's price, and then New Orleans and Nashville met Memphis, and so on until the entire product of this staple was sold at a loss. After the first cut, nobody remembered who started the fire. During all this period of price cutting these southern manufacturers held no meetings. After a year, after one million dollars' worth of this staple article had been sold at a loss, the little factory that started the trouble failed, and it came out in court that their total sales for a year were only \$22,000."

#### CONSUMER BENEFITS FROM "OPEN PRICE" ASSOCIATION POLICIES

UNDER the conditions of ten years ago some sort of business co-operation was obviously necessary. Even if only a sort of industry census had been taken so that each member was informed as to the industry's total productive capacity, numbers of employees, wages, laws bearing directly on the industry, established trade practices and other matters of general trade interest, much good would have been accomplished. The amount of ignorance prevailing in most industries is appalling.

But the "open price" association went a step further, on the theory that if every member were fully informed on all quotations and prices in the industry, price fluctuations would be normal and healthy, dependent only upon natural economic laws and forces. Ignorant, and sometimes even malicious, competition would be reduced to a minimum, prices would be stabilized, and in the end the customer would be better off than under the old conditions of violent fluctuations, of below-cost prices followed by abnormally high prices of recoup the losses caused by the previous low prices.

Another evidence of the good faith of the associations is that many of them, according to Mr. Eddy, have urged the concerns from whom they buy their raw materials to effect similar organizations among themselves. The National Association of Cotton Fabric Finishers is inviting the Department of Justice to institute a suit in equity against it, offering to place all its records at the disposal of the Department; meanwhile suspending the filing and distribution of prices pending the Supreme Court's decision in the hardwood lumber case.

That the legitimately conducted "open price" association is highly regarded by its members is shown by the following summary of the important features of its work made by an executive in one of the largest concerns in the country, belonging to several organizations of this kind:

"First, mutual confidence among manufacturers.

"Second, an improvement of conditions in the industry. This is brought about by the establishment of a system of uniform cost accounting, the interchange of statistical information in regard to production and consumption, and the information as to prices that have been made. We have eliminated the iniquitous work of the unscrupulous purchasing agent, who would consider it a matter of shrewdness to start price cutting, based on bald untruths in regard to quotations made to him. We have to-day come to a position of preferring to take the word of a competitor than the word of a customer."

"Third, this association work we are able to present a united front on all questions of vital interest to the industry, such as tariff legislation, supplies of raw material and co-operative advertising. We have committees at work on these matters, and with the help of our commissioners, we accomplish a great deal of good for the industry as a whole."

The "Open Price" Association—How It Works and What It Does. By H. H. Hershock and John Allen Murray. *Printers' Ink* June 3, 1920, p. 122. 1000 words.

**We Have 7,000,000 Automobiles;  
the Rest of the World 1,000,000**

ACCORDING to statistics compiled by the Omaha Chamber of Commerce, and given fully in a recent issue of BUSINESS DIGEST AND INVESTMENT WEEKLY, there is approximately one automobile for every 4,459 persons in the United States—or 7,459,007 automobiles, trucks and pleasure cars. It is interesting to compare these figures with the following statistics as of April 1, 1920, issued by the Research Department of the *American Exporter*:

Algeria .....	9,000	Honduras .....	12,000
Argentina ....	27,250	India .....	183,500
Australia ....	27,500	Italy .....	1,000,000
Austria .....	10,000	Japan .....	2,400,000
Barbados .....	700	Kenya .....	2,400
Belgium .....	19,000	Malaysia .....	1,000,000
Belize .....	10,000	Mali .....	1,000
Brazil .....	13,000	Morocco .....	16,000
Bulgaria .....	10,000	Netherlands .....	10,000
Cameroon .....	9,000	Newfoundland .....	500
British Honduras .....	60	New Zealand .....	25,000
British South Africa .....	14,250	Nicaragua .....	10,000
Bulgaria .....	750	Norway .....	5,100
Burkina Faso .....	1,000	Peru .....	2,000
Burundi .....	1,000	Philippines .....	10,500
Ceylon .....	8,500	Porto Rico .....	5,000
Chile .....	8,000	Portugal .....	5,000
China .....	1,000	Portugal, E. .....	1,000
China, H.K. ....	1,000	Romania .....	150,000
Colombia .....	1,500	Russia .....	1,000
Costa Rica .....	1,000	Salvador .....	160
Cuba .....	27,500	Senegal .....	14,500
Czechoslovakia .....	7,500	Singapore .....	1,000
Denmark .....	1,500	Sri Lanka .....	1,000
Democratic Republic .....	1,500	Straits Settlements .....	2,500
Dominican Republic .....	1,500	Sweden .....	8,000
Dutch East Indies .....	12,500	Switzerland .....	1,100
Dutch Guiana .....	140	Taiwan .....	1,000
Ecuador .....	150	Tanzania .....	500
Egypt .....	10,000	Tanzania .....	500
Finland .....	2,000	Togo .....	500
France .....	202,500	Togo .....	500
French Guiana .....	1,000	Togo .....	500
Germany .....	71,000	Togo .....	500
Ghana .....	275,000	Togo .....	500
Greece .....	2,000	Venezuela .....	2,000
Guatemala .....	2,000	Miscellaneous .....	1,000
Guineabissau .....	2,000	U.S.A. and Africa .....	1,000
Haiti .....	500		
Hawaiian Islands .....	5,500	Total .....	3,815,000

Automobile Census of Foreign Countries. *Amer. Exporter* June '20 p. 12. Quoted.

### No Cut in Rubber Tires Likely Now

**P**ROMINENT rubber men interviewed by Dow, Jones & Company negate the rumors of a cut in rubber tire prices.

In connection with the report that cotton mills are carrying large amounts of high-priced tire fabrics which are not being taken by the rubber companies, it is stated that this condition exists mainly with the smaller tire producers whose bankers have been urging credit curtailment. The large rubber companies are actively in the market for tire fabrics. The president of one of the largest tire companies says that in his opinion the tire makers, as a whole, would be using higher priced materials in the last six months of this year than in the first half.

Crude rubber at 38 cents to 40 cents a pound is selling as cheaply as at any time within the past five years. The more important commodity, tire fabrics, which five years ago was obtainable at about 50 cents a pound now brings upwards of \$3 a pound.

While it is not likely that a further advance in tire prices will be made this year, it seems equally certain that a general reduction is a long way off.

Altho the larger rubber companies manufacture great quantities of rubber footwear, clothing and mechanical goods, a substantial part of their business is in rubber tires, for which they are dependent upon the automobile industry. There has been a slowing down of the automobile business in some sections of the country which may go further but the rubber people

feel that it will be some time before they are able to catch up with orders for tires on hand.

Goodyear Tire & Rubber Co. reports that its passenger car tire business thus far this year has increased 79 per cent in casings, and 107 per cent in tubes over the same period last year, and its truck tire business shows an increase of over 500 per cent for the same periods.

June sales of all classes of tires by B. F. Goodrich Co. are running from 40 per cent to 80 per cent greater than in the same month last year and its mechanical goods business last month increased more than 200 per cent over June, 1919.

United States Rubber Co. is receiving more orders than it can fill for both passenger car and truck tires. In addition, its mechanical goods sales show a substantial advance and the company probably will do a greater footwear business this year than ever before.

### Credit Men's Recommendations on Income Taxation

**T**HE Committee on Federal Taxes of the National Association of Credit Men makes the following recommendations to improve our system of income taxation and eradicate present glaring inequities:

4. Elimination of the Excess Profits Tax.
5. Substitution of a corporation undistributed earnings tax at a graduated rate that will give the tendency to encourage the payment of dividends.
- (a) A substantial percentage of net income for any year must be distributed in dividends.
- (b) Dividends paid from earnings of prior years in which the corporation has paid the undistributed earnings tax not to be considered as income to the individual stockholder. Dividends may not be paid from surplus until earnings of current year have first been used for that purpose.
6. Elimination of the Corporation Income Tax.
7. Dividends to be subject to the normal rates in the hands of the individuals.
8. Adjust rates of taxation of personal incomes (both normal and surtax) to meet the requirements of the budget. The suggestion is made that this adjustment be made principally with respect to the top class, that is, one hundred thousand dollars and over.

Income Taxation: Exposition of a Principle of Taxation Presented by the Committee on Federal Taxation of the National Association of Credit Men. *Credit Monthly* May '20 p. 9 1700 words

### Present Equipment Shortage on American Railways

If American railroads were to have at the end of 1920 the full number of freight cars they ought to have, they would have to purchase the 226,000 cars by which they are short on the regular schedule since 1917, plus the regular complement for 1920 itself, 150,600 cars, making a total of 377,600 cars. Similarly, to restore passenger service to the level of 1917, the railroads owning 1920 the roads would have to buy 693,300 cars to make good the accumulated deficit, plus 3180 for the account of 1920 itself—a total of 10,173 passenger cars. The number of locomotives needed in 1920 to supply the deficiencies of the past three years would be 270 locomotives, plus the complement for 1920 would be 270 locomotives, making a total of 616 locomotives.

The following table from the *Railway Age* gives the figures of the equipment bought by the railroads in the United

States and Canada, as well as by private car lines and industrial concerns, in 1909-1916, together with the actual and the deficit figures for 1917-1919:

	Freight cars	Passenger cars	Locomotives
1909	189,259	2,614	2,836
1910	244,054	2,983	3,063
1911	333,131	3,629	3,850
1912	314,758	3,642	4,155
1913	406,123	3,779	4,393
1914	80,264	3,902	4,263
1915	170,764	4,161	4,163
1916	170,624	4,284	2,910
Average per year for 8 years to United States entrance into European War			
	150,600	3,190	3,700
1917	79,267	1,124	2,764
1918	123,770	131	2,940
1919	222,222	2,000	2,940
Total for 1917-1919			
	223,259	2,255	8,704
Requirements for 1917-1919 on basis of orders in previous 8 years			
	421,508	2,540	8,910
Amount 3 years' orders are above of			
	228,650	3,295	3,190
Shortage of Equipment on American Railways			
Economic World May 1 '20 p. 623. 500 world's			

### A Merit and Demerit System for Street Car Conductors

**T**HE efficiency analysis and merit records recommended by the Ohmer Fare Register Company when they install a fare register have come to be known as the Ohmer System.

What he turns in is compared with the register report, and the variations from that report are used as a basis for his merit or efficiency record.

When a conductor turns in less than is called for by the register report he is not required to make up the shortage out of his own pocket, nor is he paid back when he turns in more than the record calls for, as is the custom where the old-fashioned type of open-faced registers are used.

Instead, the overs and shorts are applied to his daily merit record. Variations in cash are reduced to units of 5c; 25c short or over in cash being put down as five errors.

A simple form of individual conductor merit record is used for keeping the details of each man's work for the month, such as his overs and shorts on cash, tickets, transfers and passes.

At the end of the month the conductor is given a grade based on the accuracy of his work. These grades are posted on bulletins and invariably produce a spirit of rivalry, which has a very healthy effect on the morale of the men.

Experience has shown that conductors who stand well in their merit records are invariably efficient men in other departments of their work. This is quite natural because the habit of care and concentration formed through the influence of this system takes hold of the man's whole being.

The less desirable type of conductor invariably gravitates away from properties operated on this basis and goes into other lines of work, or works in other places where the standards of service are lower.

These same methods of using the merit and demerit system are now used on a number of motor buses in this country, and the system is just as applicable to this service as to the electric railways.

Applying a Merit and Demerit System. By Fred L. Ohmer, Secretary, Ohmer Fate Register Co. 100¢ July '29 p. 318. 1500 words, 1 fig.

# ADVERTISING AND SELLING

## How John Barleycorn's Money Is Spent

Influence of Prohibition on the Sale of Certain Goods—Demand for Smokes, Sporting Goods, Coffee, Milk, Chewing Gum and Candy Has Increased, But Some Other Articles Have Suffered

**A**BOUT a year ago the business press was full of speculations and prophecies as to where that \$2,000,000,000 that used to be spent on drinks would go when prohibition turned it into other channels. Then, according to the prohibitionists, there was another \$1,300,000,000, representing the cost of the crimes and disorders ensuing from drink. That makes a possible total of \$3,300,000,000 a year. Some said a lot would go into soft drinks and into candy. The tea and coffee men got ready to do an extra big business. The soda-water fountains expanded their facilities. So did the movie houses. And it would seem that most of these businesses were justified by results. Some rather less expected, the really equally logical and explicable developments have also eventuated, as C. P. Russell tells in *Printer's Ink*.

For instance, a certain cigar manufacturer traces to the effects of prohibition the largely increased demand for quality smokes. This is the way he argues it out:

The principal outlet for low-grade cigars in the past was the saloon. Bar-rooms as a rule did not find it necessary to stock quality goods because the man whose taste had been muddled by a round or two of drinks was content to accept whatever was handed to him. If he was in a treating mood, he reached into the nearest box and lifted out a handful of smokes that might have been sections of tarred rope for all he or his friends cared.

But the unboozed citizen of to-day smokes with an unfurred tongue, and is in a condition that will enable him to appreciate a good cigar when he smokes it. Consequently he goes to a reliable tobacco shop, selects his smokes with discrimination, and is willing to pay a good price for a cigar whose quality he can taste.

MORE TIME AND MONEY FOR WHOLESOME PLEASURE

THE connection between prohibition and an increased demand for firearms, ammunition, traps and targets would appear far-fetched, but it isn't when you consider the explanation of a manufacturer of trap-shooting outfits, who was recently surprised to note the number of inquiries from country clubs. One chairman of a club-house committee wrote:

"Heretofore a certain proportion of our membership got their outdoor exercise by sitting on the veranda and hoisting high-balls. They would get up parties around a table the centerpiece of which was a siphon, and there they would sit hour after hour. Some of them habitually spent their week-ends in this fashion. But imagine their situation now. You can't expect a man to sit an entire Saturday after-

noon around a bottle of raspberry flip, can you? Nor will his friends come out with him to pass the week-end imbibing buttermilk. These men have got to have something to help pass the time with. They can't all get on the golf course—that's crowded already. Neither can they all get around the card tables. Besides, we want to encourage our members to get out in the open air more; it's better for them and better for the club. So among other amusements we thought of trap shooting."

The story of the trap-goods manufacturer is somewhat similar to that told by other makers of sporting goods. The golf courses and tennis courts at country clubs are so much in demand that club managers are put to it to satisfy all applicants. The sale of fishing tackle, camping equipment, and motorizing supplies has also been unusually high.

D. J. Walsh, the sports writer, unthinkingly ascribes to the absence of the saloon the enormously increased attendance at sporting events. He scoffs at the idea that this is due to a wild concerted effort to forget the war and all its horrors.

It is to laugh! The war has ceased to be a medium of polite conversation by a matter of ten months or more; to all intents and purposes it represents nothing more than an all-but-forgotten memory. The soldiers are back, demobilized, deodorized and dematured, alcoholically speaking. Parades, silver-tongued orations, alleged memorials to the bravery of the dead and other conventionalities are over and done with. The war, in other words, is *passed* as far as the general public is concerned.

That being the case it would seem to follow that the battle of Belleau Wood had no more to do with the fact that nearly 40,000 persons invaded the Polo Ground on a certain afternoon last summer than the high price of pulverized putty.

Therefore, what is the answer? Is it the fact that the Giants happened to be in the pennant race or that Benny Leonard may have taken to parting his hair in the middle?

Emphatically not, says Mr. Walsh. The saloon is passing, but not the addier; he is still seeking diversion, and, failing to find it in one place, he will perforce try another. Else why on earth should 25,000 persons try to crowd into the space meant for 12,000 to see the six-day bicycle race at Madison Square Garden, never, never so popular before. Every sport from fencing to football has felt the impetus of the turn from alcohol to sporting events. As an example, take the experience of a certain basketball promoter in Brooklyn. Until this year his expenses for a single night were \$60 and his receipts approximately

\$80. Now his receipts are running beyond \$400 a night. Did a war ending more than a year ago work this transformation? Perish the thought!

### OTHER DRINKS THAT HAVE PROFITED

As to the field of substitute drinks, expectations have been more than met in the case of coffee.

The people of the United States, according to figures compiled by the National City Bank of New York, are now paying more than one million dollars a day for their coffee, against one-third that sum only two years ago. The quantity of coffee imported so far in this the first prohibition year has increased forty-two per cent over the same months of last year, the import price averages eighty per cent higher.

This great increase in coffee consumption is no doubt due in large part to better merchandising and selling methods, not to mention a national advertising campaign, yet there is little question that prohibition has played its part. It is the testimony of the proprietor of a prominent New York hotel, highly popular with lovers of gaiety, that his coffee sales have increased 400 per cent since the dry era came in, and he declares that the beverage is especially popular with the dancing crowds, which often order four or five cups in an evening.

But the tea growers and importers have been disappointed. Importations of tea 40 per cent in 1920 have decreased 20 per cent. Similar disappointment has come to the soft-drink manufacturers. Where there were a dozen soft-drink makers two years ago there are perhaps hundreds now, but not all have been able to cash in on prohibition. As the president of one of the beverage companies says, it is a mistake to advertise soft drinks as substitutes for alcoholic liquors, because the seasoned drinker of hard stuff regards softer beverages with considerable disgust.

Milk and milk drinks, however, seem to have filled the role expected of them with the advent of prohibition.

The consumption of buttermilk, for instance, is said to have increased 20 per cent in some cities, notably those in which the product was helped by advertising.

Increased sale of milk and milk products was bound to have an effect on the manufacture of dairy and breeding supplies. In fact, we find one concern, the Aluminum Cooking Utensil Company, manufacturers of "Wear-Ever" milk pails, boldly heading a page advertisement with the words: "Prohibition and Milk." The copy says: "The great impetus that prohibition is giving to milk consumption furnishes another incentive for the progressive dairyman to increase his business."  
"In restaurants and cafés where a co-



holic beverages were formerly dispensed, milk has become a most popular substitute.

"For years the demand for milk and other dairy products has exceeded the supply.

"Now the demand for milk is greater than ever."

Perhaps the increased consumption of food in general, noted by many hotel and restaurant keepers is caused by the impulse to seek compensation for deprivation of alcohol. Certainly the number of new small restaurants and cafés in the large cities and towns cannot be wholly accounted for by the natural growth of these communities. On the other hand, hotel men report fewer of those gay week-enders who

used to come up from the outlying districts for a fling in the city.

It is well known that candy consumption has increased enormously, just as was prophesied. Also chewing gum has had a much-stimulated demand. More men "buy it by the box," as the advertisements naze, possibly because they like to have something in their mouths, because it apparently allays thirst and because it has a high sugar content.

But even then, we don't know where all that \$3,300,000,000 goes to. It is cheering to think that a goodly portion may be going into thrifty savings and safe investments.

Where John Barleycorn's Money Is Going.  
By C. P. Russell, *Printers' Ink* June 3 '20 p. 110, 2500 words.

Landay Brothers, the phonograph distributors in New York, have a giant Victrola as the body of their delivery truck. J. George Smith, the confectionery manufacturer of St. Paul, delivers his candy in an automobile shaped like a box of his bonbons. A number of other manufacturers are successfully using variants of this plan for getting the maximum of advertising value from their delivery vehicles.

Novel Truck Bodies As Advertising Mediums  
By Jesse Brackett, *Printers' Ink* Monthly July 20 p. 80, 500 words, 2 illus.

### Sporting Goods for the Boy

NOWADAYS, up-and-coming hardware men recognize that there's a big crowd of potential prospects for sporting goods in the boys around town. That's why the Maxwell Hardware Company, of Oakland, California, employs three young men in its sporting goods department, whose chief purpose is to see that other young men and young women of their acquaintance know the sporting goods section at Maxwell's. One of the three is a great baseball fan, plays a good game himself and knows all the amateur teams in and around Oakland. He is in and out of the store a great deal and is furnished by it with all the baseball equipment he needs for himself. It's a simple and natural matter for him to tell others where he got his equipment. Another of the young men is a high school boy, popular with his fellows, and a crack tennis player, who works in Maxwell's Saturday afternoons, usually drawing a lot of the "fellows" into the store after him. Afternoons after school he goes to the various tennis courts, wearing Maxwell equipment and is thus a walking Maxwell sporting goods advertisement. The third youth is interested in basket ball, plays a good game of basketball and is also popular in high school.

This store is also interested in even the smaller children. Whenever a boy gets on a "champion team" on the playgrounds he gets a slip of paper entitling him to a leather card case from Maxwell's. James M. Smyth, a hardware dealer in Montreal, Canada, advertises bicycles for rent at reasonable rates. In one corner of his window a sign which delighted the boys read: "Life is just one wheel after another. Baby carriage—velocipede—bicycle—automobile—wheel chair—bear." In another window was the figure of a boy, borrowed from a clothing store, dressed for riding, with a sweater over his arm and a camera hanging by a strap from his shoulder. He was wheeling a bicycle of the latest make and a card at his feet read: "A Saturday holiday in the open air with a bike will build you up and put you in excellent trim for a week of school."

Sporting Goods for the Boys. By V. H. Braxton, *Business June 20 p. 22, 1000 words, 2 illus.*

## Truck Bodies As Advertising Mediums

### Mammoth Trunks and Bottles Catch Attention of Passers-by

A WEEK or so ago four men walked down 42nd Street talking over their summer vacation. As they had to wait in the traffic they noticed the novel truck of the Newark Trunk Company, took down the name and address, and later

cost at the time. Pretty good returns on that advertising investment!

Others share the enthusiasm of the Newark Trunk Company for specially designed motor truck body to advertise their product. The Thermos Company's, built



Courtesy of "Printers' Ink Monthly"

came into the store where they bought four high-priced trunks. That's how much attractive value this novelty has, yet it just happened to be invented out of sheer necessity, according to Mr. Schendel, the originator of the body. The standard sized truck bodies wouldn't allow for the packing of two full-sized trunks side by side and a body had to be built that would overhang the chassis. So the body was built like a huge trunk—leather finish, brass rivets, locks, keyhole and all. It holds fifteen trunks. Ever since its maiden trip it has attracted more attention than the company ever dreamed it would! People stand around to see if it will open like a real trunk at the top. As a matter of fact, it opens at the back. And the best of it is, the novel body cost \$1000, only about \$400 more than any regulation built-to-order body would have

in the form of a big Thermos bottle, was constructed in 1918 of steel and has outlasted several chassis. In the Panama-Pacific Exposition year it made a cross-country trip, covering the principal towns and cities and making its headquarters en route at the stores of Thermos dealers.



Courtesy of "Printers' Ink Monthly"



# MANUFACTURING AND INDUSTRIAL MANAGEMENT

## Questionnaire Indicates Increased Labor Efficiency

Results of Investigation by the Research Department of the National Association of Credit Men Show That, Contrary to the General Impression, the Labor Situation Is Better Than in December, 1919

JOHN WHYTE, director of the research department of the National Association of Credit Men, heads his article in the *Credit Monthly* "Efficiency of Labor Increasing." That's a surprising statement in the face of the very general impression that American labor is not only 50 or 60 per cent less efficient than before the war, but is steadily growing more inefficient. But Mr. Whyte has some ground for his statement in the analysis he has made of the 169 replies received from all parts of the country and from manufacturers representing 75 different lines. The questionnaire was sent out by the research department in March and the questions asked were as follows:

1. Is your labor more efficient now than it was three months ago?

2. Do you feel that your labor is as efficient as it was in so-called "normal" times?

3. If your labor is showing a reduced efficiency to what do you attribute it?—to industrial unrest, or to shortage of labor, skilled and unskilled, or to high labor turnover, etc.?

4. If your labor is showing an increased efficiency to what do you attribute it?—to an abatement of industrial unrest, or to profit sharing, or to industrial welfare work, etc.?

LABOR MORE EFFICIENT IN MARCH, 1920, THAN IN DECEMBER, 1919

THE following analysis indicates that 11 per cent of labor is showing an increase in efficiency.

Of the 167 replies to the question, "Is your labor more efficient now than it was three months ago?"

10 or 6 per cent reported labor less efficient than three months ago.

71 or 41 per cent reported no increase in efficiency.

57 or 34 per cent reported an increase in efficiency.

18 or 11 per cent reported no increase in efficiency, but stated specifically that labor was as efficient as in pre-war times.

10 or 6 per cent reported old labor as efficient as in pre-war times, but new labor inefficient.

With more than one-third of the manufacturers reporting an increase of efficiency as against only six per cent reporting a decrease, it is fair to conclude that the total production in March, 1920, of all the labor represented in the replies was noticeably above that of December, 1919.

PRODUCTION OF LABOR IN 1920 LOWER THAN IN 1914

ENCOURAGING as such an increase in efficiency is, it has not yet restored the production of labor to its pre-war standard.

Of the 169 replies to the question, "Do you feel that your labor is as efficient as it was in so-called 'normal' times?"

121 or 70 per cent stated that it was less efficient than in so-called "normal" times.

19 or 11 per cent that their labor was as efficient as ever, but that new labor was less efficient

57 or 34 per cent that labor was as efficient, and 6 or 3 per cent that labor to-day was more efficient than in so-called "normal" times.

Thirteen employers attempted to give the relative percentage of the efficiency of labor in 1920 as compared with that of so-called "normal" times, which is usually interpreted as 1913-1914. The average of these thirteen percentages is 73 per cent. On the basis of so small a number of replies, it is impossible to hazard an estimate of the relative percentage efficiency of labor to-day as compared with that of 1914; but a reading of all the replies amply justifies one negative conclusion, namely, that the commonly quoted generalization that labor to-day is but 50 to 60 per cent as efficient as it was in "normal" times does not correspond to the total experiences of these 169 manufacturers, and is, if these employers and their employees are typical, clearly an overstatement.

### CAUSES FOR REDUCED EFFICIENCY

In assigning causes for the reduced efficiency, the employers mentioned:

Shortage of labor	29 times
Industrial unrest	50 times
High rate of labor turnover	20 times
High wages	12 times
Reaction from the war	11 times
High cost of living	8 times
Organized labor	7 times
Attitude of the Federal Administration	6 times
Loss of interest and responsibility	6 times
Crity of extravagance	4 times
Shorter hours	4 times
Increasing wages of high wages paid elsewhere	3 times
Housing difficulties	2 times
Radical social agencies	1 time
Prohibition	1 time

Shortage of labor is thus held to be the most important factor in the situation. There is a causal relation between it and most of the other factors mentioned. It is, of course, largely responsible for the high rate of labor turnover and for labor unrest. In addition, it necessitates the employing of unskilled labor for skilled work and the employing of physically and mentally low grade labor, because the manufacturer cannot pick and choose. Such a condition creates serious difficulties, particularly for companies that are expanding their plants. Furthermore it gives labor a sense of absolute security of tenure that leads readily to abuse.

Industrial unrest is a general term, and like all general terms, it is vague. The great majority of employers who used it did not define it. In one instance it was held to be the result of the activities of paid propagandists, in another to be the result of the work of radical agencies. But as a rule, it would seem that it was used as a convenient term for the denomination of a general condition which is more or less the resultant of all the other factors, namely, of the shortage of labor, labor turnover, labor union agitation, insufficient housing, high cost of living, etc. The convenient and overworked term "Bolshevism" was not once used by these practical business men.

The high rate of labor turn-over was usually added to labor shortage and to

the resultant competition for labor. A post-war restlessness on the part of ex-soldiers was also believed to contribute to it.

High wages coupled with continuous employment—thus resulting in increased earnings—increased above the increase in the high cost of living—were believed by many to be responsible for a reduction of effort. In some plants men "laid off" to spend their earnings.

On the other hand, the continually mounting cost of living which eats up every wage advance was believed by eight employers to be a cause of dissatisfaction and lower production.

Labor union agitation for organization or for increased earnings, or for shorter hours, or for the restriction of output (in order to prevent over-production and to guarantee employment), was in seven instances looked upon as a cause for a lowering of shop morale and efficiency.

High wages paid by the government to employees during the war for easy work, the outstanding of government for labor and a catering to labor interests were regarded in six instances as being responsible for, or contributing to reduced efficiency.

### CAUSES OF INCREASED EFFICIENCY

In assigning causes for an increase in efficiency, the employers mentioned:

Profit sharing and (or) bonus	21 times
Tight wages—increase in wages steady work	18 times
Industrial welfare work	12 times
Improved manufacturing management	12 times
Abatement of industrial unrest	10 times
Education of employers and efforts to teach them co-operation	8 times
Reduction of labor turnover and efforts to less labor shortage	4 times
If, C. of L., necessitating greater earnings	4 times
Reaction from strikes	2 times
Absence of unions	2 times
Premiums on attendance	2 times
Intensive training of labor for specialized operations	1 time

That profit sharing and bonus are strong incentives to work was the feeling of a large number of employers whose employees are showing an increase in efficiency. Almost an equal number attributed their satisfactory experiences with labor to high wages and steady work. In both cases, apparently, the employees have been conscientious in receiving what they believe to be their proper share of the fruits of their labor.

The improvement of plant conditions, the institution of plans of closer industrial relations, the introduction of various forms of social and recreational activities were in thirteen instances held to be responsible for an increase in efficiency.

That the production of labor can be increased by better management methods was the experience of twelve employers. In only three cases was this improvement due to improved machinery. Change to piece work, simplification of working processes, new production managers, better labor control, improved methods, change of manufacturing methods and intensive training of employees were the means by which these increases in production were brought about.

Reaction after strikes, general "sobering up" of labor had, according to ten employers, resulted in increased efficiency.

Eight employers found that their efforts to educate their employees along economic lines, to teach them the economic factors which govern wages and output and prices,

had resulted in a better understanding and closer co-operation and hence in an increase in production.

*Efficiency of Labor Increasing. By John Whyte, Director of Department of Research of the National Association of Credit Men. Credit Monthly May '30 p. 12. 2600 words.*

## Making Packing Easy

**Here's a Device That Cuts Out Waste Motion and Makes the Shipping Room's Work at Once Easier and More Efficient**

**E**VEN in a medium-sized shipping room, the work of packing can be handled very effectively if it is laid out in the right way with the right equipment. This is proved by the four-man packing unit of the Crocker-McElwain paper mill, illustrated in the photograph.

In this unit, packing boxes are routed thru the rather small packing room on a short steel-roller table, only a few inches above the floor. This table is of the ordinary form, in appearance like a steel ladder in which the rungs are free to revolve on ball-bearing axes, and are of such diameter that they protrude slightly above the sides of the ladder. The packing box, empty or full, rolls smoothly along the roller table under the impulse of a slight push.

The roller table is in three sections. On the first section, the packing box is placed while empty. Here the box is loaded, the goods being in the shape of flat reams of writing paper, each ream being wrapped separately in heavy wrapping paper before it comes to the shipping room. The goods are brought up adjacent to the left end of the roller table on an elevating truck platform, and a stack of them left there convenient to be loaded into the packing box. This first section of the table is long enough to hold three or four packing boxes, so as to take up slack in the packing. Two packers are generally busy at it.

The second section of the table, flush with and a continuation of the first section, but of a different piece, is part of the weighing scales, being supported by the weighing platform. The filled box, with the loose boards for the top tossed onto it, is pushed along off the end of the stationary section of the table; onto the section that moves with the scales. The indicating scale of the weighing machine is back of the table, near the wall, out of the way of the movements of the packers in front of the table. Beside the indicating scales, also near the wall and behind the roller table, is a small desk for a clerk, (usually a girl clerk). She reads the scales and records the weight, and does the invoicing and bookkeeping. She also acts as stencil clerk, and stencils the inner end of the box, the one toward her.

On this third section of the table the top boards are nailed on by a third man. The nailing is never done while the box is on the middle section of the table, where the boxes would go then to the scales' mechanism, but only on the third section, where the table is solidly fastened to the floor and takes up the thrust.

A small hand truck is then brought in, and laid flat, crosswise of the direction of the table, and just beyond its end. The

truck when flat on the floor is a couple of inches lower than the top of the roller table, and the heavy box is slid off onto it without much effort. The box is then trucked out and parked as near the exit door of the shipping room as possible.

Every hour one of the two packers changes places with the nailer, as nailing



**HELPING THE SHIPPING ROOM TO DO MORE WORK**

The box while on this low table of rollers is packed, checked, weighed, addressed and nailed. Thus the work goes along a straight line in a fast steady stream.

is hard work. This enables one nailer to keep up with two packers, even on goods where the packing is naturally very fast.

Handling packing in this way is much easier, faster, and more accurate than handling without any definite routing or method.

*Making It Easy to Pack. Factory Apr 15 '30 p. 1147. 750 words. 1 illus.*

### Three Bonus Plans That Increased Efficiency and Lowered Trucking Costs

**A**N eastern tobacco wholesaler saved over \$100 a truck a year by a gasoline bonus alone. One year this concern with 12 trucks of three different sizes made 170,000 miles at a gasoline cost of \$5200. The next year these same trucks were put on a seven-mile-to-the-gallon bonus and reduced the gas expense to \$3800 for the same mileage, a saving of \$1400.

As the management shared half-and-half with the men their bonus amounted to \$700 and the company's net savings to an equal amount. Each man averaged about \$150 a week.

Another important factor is that when he took enough care in the operation of his car to save on gas it also had a corresponding but perhaps not so obvious effect upon the maintenance.

The tire bonus was in combination with the other. On the two-ton trucks the com-

pany paid a bonus of 20 cents a thousand miles on all 36x5 tires for all over 5000 miles. That was the guarantee of this particular tire. When 36x6 tires were installed the cost per mile on the 36x5 tires was used as a basis in determining the new mileage to be expected from these larger and more expensive tires, so as to keep the cost per mile the same. This brought the new requirement up to between 9000 and 10,000 miles before a bonus could be earned.

For mileage over this amount the company paid 20 cents a thousand miles as before. They also paid 20 cents a thousand miles for mileage over the guarantee on the small tires on the half-ton trucks, on all sized tires, because the cars using the smaller tires did a smaller mileage.

The men at first objected to only 20 cents on the more expensive tires. They were soon satisfied as in one case a set of larger tires did 14,000 miles, giving them a bonus on over 4000 miles, while on the 36x5 tires they seldom ran above 2000 miles over the guarantee.

Each man had still the third method of increasing his pay envelope. This was by decreasing his pay envelope, or catching other people's mistakes.

In putting up the orders a common error was for a man to put 500 cigars in an order instead of 50. As the boxes were not wrapped with paper the driver, if he were observant, could easily check the mistake. There also were mistakes in deliveries. Frequently the driver forgot to give a voucher to a customer when he took back goods and it had to be mailed back. Omissions such as this were also counted as mistakes.

On an average, eight mistakes were reported against each driver a month, according to the previous records. On this basis he was allowed a bonus of \$2.00 if he made no mistakes. From this 25 cents was deducted for each mistake until the \$2.00 was gone.

In addition he was allowed an extra 25 cents if he discovered and reported a mistake of some one else on the inside, such as errors in making up orders. This gave him an opportunity to get more than \$2.00 a week in addition to his tire and gas bonus.

The first month after putting the error bonus into effect the mistake report of the 12 trucks covered three sheets of paper. After six months it covered less than half a sheet.

*Three Bonus Plans That Increased Efficiency and Lowered Costs. 100% June '30 p. 144. 700 words.*

## FOREIGN TRADE

### Russia's Condition Under the Soviet Regime

**Bolshevik Regime Has Crippled Agriculture, Transportation, Development of Natural Resources and of Manufacturing Industries, Yet Once That Regime Is Past, Here Is a Profitable Field for American Enterprise**

NO very encouraging reports come to us as to the economic condition of Russia under the Soviet regime. The report of the London organization of the Russian Co-operative Societies, translation of which was received from official sources at Washington by the New York Times, and reprinted in part in the *Economic World*, gives a gloomy picture of Russia's industrial, financial, political and social condition. And confidential reports of A. Rykov, chairman of the Supreme Council of National Economy, corroborate the impressions of the Commission. Mr. Rykov says:

"The civil war, having caused an unparalleled waste of the human and material resources of the republic, has engendered an economic and productive crisis. In its main features this crisis is one of transportation, fuel and human labor power. Before the war the percentage of disabled locomotives, even in the worst of times, never rose above 15 per cent. At the present time, however, we have 39.5 per cent of disabled locomotives—i. e., out of every 100 locomotives in Soviet Russia 60 are disabled and only 40 capable of moving. Under present conditions of railway transportation the repairs do not keep abreast of the deterioration of our locomotives, and every month we have in absolute figures 200 locomotives less than the preceding month. As for the broad masses of the population, these figures simply mean that for the workers and peasants of Soviet Russia there is no possibility of utilizing any one of those grain-producing regions, nor those which have raw material and fuel, that have been added to Soviet Russia as a result of the victory of the Red Army.

"We have a metallurgical region in the Ural Mountains; but we have at our disposal until now but one single steel mill—a month to carry metals from the Urals to Central Russia. In order to deliver cotton from Turkestan to the textile factories in Moscow we have to carry more than one-half million pounds a month—nearly 600,000 pounds (a pound equals 35 pounds). But at this time we have only about two trains a month—i. e., scores of years will be required under present conditions for transporting from Turkestan those 8,000,000 pounds of cotton, which we could convert, but are unable to deliver to the factories.

"It is the gravest fallacy to imagine that the lifting of the blockade or conclusion of peace is able in any degree to solve our raw material crisis. On the contrary, the lifting of the blockade and conclusion of peace, if such should take place, would mean an increased demand for raw materials, as these are the only articles which Russia can furnish to Europe and exchange for European commodities. The supplies of flax on hand are sufficient for a period of from eight months to a year. But we shall not be able to export large

quantities of flax abroad, and the catastrophic decline in flax production as compared with 1919 raises the question whether the flax industry will not experience in 1920 a shortage similar to the one experienced by the textile industry in cotton.

In an address before the Seventh Annual Foreign Trade Convention, at San Francisco, reported in the *Economic World*, Jerome Landfield, executive vice-president of the American-Russian Chamber of Commerce, and formerly adviser on Russian affairs in the American State Department, after touching briefly on the Russian political situation, went on to speak at length on Russia's economic condition.

Since Russia is four-fifths agricultural and all economic life in Russia is dependent upon it, agriculture is the most important. The agrarian question—that is, supplying peasants with additional land—has been the most serious problem of Russia for years. Its progress towards satisfactory solution was interrupted by the war. The Bolsheviks proposed simply expropriation of all landed estates by the peasants. There ensued anarchy and chaos and an interesting train of economic consequences.

The strength of the Bolsheviks lay in the industrial workers in the cities and their problem was to obtain food from the country districts. As they had nothing but worthless paper money to give in exchange, the peasants very soon refused to deliver food and ceased to plant more than they needed for their own requirements. Then followed armed requisitions on the part of the Bolsheviks and the hiding of food on the part of the peasants. The breach between city and country that resulted is one of the most serious difficulties which the future will have to overcome; and among other things it has resulted not only in a shortage of food for the cities, but also in the retention by the peasants of all those raw materials which the Soviet authorities would now like to secure in order to exchange them abroad.

#### OUR OPPORTUNITY IN REHABILITATING RUSSIA'S TRANSPORTATION

The state of transportation in Russia is "catastrophic." Russia, more than any other country in the world, is economically dependent on the railways, both because of the climate, which closes inland waterways for half the year, and because of the absence of satisfactory wagon roads. And even before the war, Russia, with her 46,000 miles—or 26 miles per thousand of population, as against 261,000 miles, or 2.60 miles in America—was woefully under-equipped for transportation. Large proj-

ects for building additional railways were interrupted by the war, while existing lines suffered great depredation from military operations. The Bolsheviks completed the ruin of the railroads.

Railroad workers seized the railroads, considering that each section belonged to the workers engaged on it. All the income was taken by the workers as wages and the deficit was made up by paper money furnished by the Soviet Government. Finally, the Soviet Government nationalized the railroads, taking them out of the hands of the workmen; but so utterly incompetent was their management that there was no improvement in conditions. Labor efficiency declined to such an extent that almost no repairs were made on locomotives and cars, and practically all of those available were utilized for military purposes. Of some 10,000 locomotives that finally remained, there were last fall less than 4500 in commission and very few of these were in really good shape. In many cases tracks were taken up from one road to repair another of military importance. The result is that for purposes of trade the interior of Russia is entirely cut off from the outside world. The first essential for starting business with Russia must be the rehabilitation of her transport system. It is manifest that England, France and Germany can play but a small part in this gigantic task. Russia will require at least a billion dollars' worth of railway material and construction to bring her back into anything like a normal position, and the one country that can furnish this material is America. In this lies our greatest opportunity, an opportunity, however, contingent

Information  
About

## CUBA

Financial Situation  
Business Conditions

Contained  
in Our

Monthly Letter

Copy sent on request.

**Banco  
Internacional**

MERCADERES Y TENIENTE REY  
Head Office: Havana, Cuba  
104 BRANCHES

ent on the establishment in Russia of a regime that makes such an investment safe. Side by side with the trade opening afforded by this transportation problem comes the opportunity for the rehabilitation of railway supply industries in Russia itself. The time must come when the iron and coal resources of Russia must be utilized to furnish a considerable portion of our own needs in railway construction.

#### EMPLOYING AMERICAN CAPITAL IN DEVELOPING RUSSIA'S RESOURCES

While the Soviet regime has put an end for the time being to all production of raw materials except in certain very limited fields, Russia had before the war made great strides in the development of her resources. Once the incubus of anarchy is removed Russia will furnish to American capital its largest field for profitable employment. When that time comes, we must guard against errors in employing it.

In general, there are two ways in which American capital may be employed in Russia. It may utilize French or German intermediaries, or it may go in directly. In the former case, we should be practically nothing but bondholders in the enterprise, placing our money at the disposal of French and German industrialists.

On the other hand, the normal method would be to employ our capital directly. Unfortunately, the Americans have had comparatively little experience in conducting foreign enterprises of this kind, and are liable to make the mistake of thinking that such enterprises can simply be transplanted from America. But conditions in Russia are very different from those in America and enterprises which do not take these differences into consideration are doomed to failure. The one way in which to succeed is to enter into mutual relations with experienced Russian industrialists, forming, as it were, a sort of partnership, whereby the technical experience of the Russians and their knowledge of conditions can be utilized in connection with American financial power and such American ideas of organization as can be adapted to the special cases. Attention to these considerations will avert many a failure.

Practically the same thing is true with reference to manufacturing industries. Indeed, the special technical information in such enterprises in Russia is even more necessary than in the raw material industries.

#### Trade Permitted With All Enemy Countries

**P**RACTICALLY unrestricted export trade is now permitted to Russia, Hungary, Austria, Bulgaria and Turkey by the terms of an order issued by the War Trade Board Section of the Department of State on July 7, 1920, with effect July 8, 1920. The trade with these countries has been practically prohibited ever since the signing of the armistice under the authority of the Trading-with-the-Enemy Act, so a similar barrier which existed against trade with Germany has been removed July 14, 1919.

For the purpose of carrying this order into effect the War Trade Board has amended and reissued Special Export License RAC-77. This revised license covers the exportation by freight or express of all commodities, with a few specified exceptions, to all destinations. Under it shipments may now be made to any country without any other formality than the presentation of the shippers' export docu-

American capital invested in such enterprises would, for the most part, be spent in America for the equipment, machinery, materials and goods needed for conducting the Russian operations.

#### RUSSIAN MARKET MUST BE CAREFULLY STUDIED

In considering trade with Russia it is well to remember that the German preponderance in that market before the war was largely due to their careful study of the Russian market, methods of reaching the Russian customer, credit facilities, methods of transport, knowledge of the language, etc. Their thoroughness is worth imitating by those who really wish to enter Russian trade successfully. Says Mr. Landfield:

The fundamental condition governing foreign trade with Russia is that of the immobility of the Russian merchant, which gives a great advantage to the trader who will offer him his goods delivered, with transportation and duty paid and a bill rendered in his own money. Furthermore, it is necessary to pay attention to his special demands in this matter of dimensions, finish, packing, etc. All of these things the Germans attended to carefully, and Americans must follow the German example if they wish to succeed.

The matter of long-term credit played a very important role in securing for the Germans their predominant position. Now, however, the situation is likely to be quite different. Under revolutionary conditions credit operations have practically disappeared, and the population has become accustomed to pay in cash. Furthermore, initial operations in Russia are very likely, to a large degree, to take the form of barter, and this likewise is a corrective of the habit of long-term credit.

There is no use of thinking of American trade with Russia, unless Americans are ready to send there plenty of young men prepared to settle down and learn the Russian language, and become thoroughly acquainted with Russian life and customs. We shall certainly lose out if we leave our representation in Russia to foreigners or even to naturalized Russians.

*Current Economic Conditions in Russia. By Jerome Landfield. Economic World May 22 '20 p. 779. 2000 words.*

*Conditions in Russia as Found by the London Commission of Russian Cooperative Societies. Economic World May 20 '20 p. 165. 1500 words.*

laration in duplicate to the collector of customs at the port of exit for his endorsement.

*Trade Permitted With All Enemy Countries. Weekly Export Bull. July 18 '20 p. 12. 300 words. (Contains full text of War Trade Board announcement.)*

#### You Must Know Spanish to Do Business in Latin America

**W**ELL, send Jones to night school a few weeks before he goes to South America. That will give him a book knowledge of Spanish. He is naturally bright and a quick salver. When he gets down there he will soon pick up the language. That's the attitude of the stay-at-home manufacturer. If Jones is one in about five hundred he may "pick up" Spanish in a few weeks. If he isn't and goes into South America he will find himself most severely handicapped, because by far the greater proportion of Americans doing business in South America, either as resident representatives or

travelers, speak the language of the country, and in many cases speak it fluently. Only executives, those not selling goods or adjusting complaints, but men making broad investigations and recommendations on basic conditions can really get on well without Spanish or Portuguese on the southern continent. These usually are interpreted thru their own representatives in the different countries.

The native interpreter is not always to be relied on, particularly when it is a question of technical products. Even the most fluent speaking knowledge of another language may not include technical terms. Misinterpretation of a single technical word in a contract has cost many thousands of dollars in cases where business was done in this way.

Spanish for the representative in Spanish-America should not be studied from a Spaniard, but teachers should be natives of Spanish-American countries. The Germans speak the purest Spanish of South America, yet even theirs is different from the Spanish of Spain.

Even a little reading knowledge of Spanish helps. However, in many ways, if the visitor can read his letters from an Argentine or Chilean, for instance, and answer in English intelligible to them thru its similarity to Spanish. Many words synonymous in both languages have the same Latin roots; attention to them; different, different; futuro, future; nacion, nation, etc.

Probably three out of four Americans still don't know that the Brazilians speak Portuguese, and that 90 per cent of the South American people speak this language. So Portuguese, too, is needed if one is to be successful in selling in Brazil. The Brazilian understands Spanish, but considers its use a reflection on his country. Portuguese is more readily understood in Spanish, but with a speaking knowledge of Spanish backed by diligent study and practice the average American can gain facility in Portuguese in from six months to a year.

*On "Picking Up" the Spanish Language. By James H. Collins. Printers Ink July 1 '20 p. 198. 2100 words.*

#### Opinions Differ on International Shipping Rate Agreement

**N**OT all are jubilant over the recently reported alliance between the American and British shipping lines to run their steamers in joint competition with a view to stabilize freight rates. This is considered a most timely and desirable development in international commerce, as it is thought that keen competition will develop soon between liners and tramp steamers for the limited amount of general cargoes offered. British authorities, for example, think it highly probable many British and foreign owners of tramps, whose vessels are quite as speedy as the so-called liners, may be obliged to run regular services at rates below those of the existing shipping firms to employ fully their increasing fleets.

The tendency towards pools and shipping rings, however, raises the question, "Will such a combination or combinations ultimately kill competition in ocean freight rates and thus be detrimental to the public interest?" There has been a just cry, almost worldwide, for a return to former competitive conditions to bring back former standards of service efficiency, costs and prices. But many authorities believe that it will be so difficult to prevent rate cutting that any monopolistic attempt to control shipping or to maintain rates is impossible.

*International Agreement on Rates. Weekly Export Bull. May 22 '20 p. 16. 425 words.*



# BANKING AND FINANCE

## Consideration and Accommodation Paper

**A Man's Signed Note Payable and Delivered to His Son Recited That It Was Given in Consideration of Natural Love and Affection Existing Between the Father and the Son. If the Father Later Refuses to Pay, Can the Son Enforce the Note?**

**T**HE term "consideration" as used in connection with a negotiable instrument means the money, services, goods or other value given in exchange for the instrument. In general, any consideration which will support a simple contract is sufficient to support a negotiable instrument, or the transfer or indorsement of such an instrument. (Negotiable Instruments Law, Sec. 51.)

According to the definition given in a series of questions and answers on consideration and accommodation paper in the *Banking Law Journal*, "Accommodation paper is a bill of exchange or a promissory note, to which the acceptor, maker, drawer or indorser, as the case may be, has put his name without receiving value, for the purpose of accommodating by a loan of his credit some other person who is to provide for the bill or note when it falls due. *Greenway v. Orthwein Grain Co., Fed. Rep. 536.*"

Finer points on consideration and accommodation paper are elucidated in the series.

1. The drawer of a check delivered it to the payee as gift, but before the payee collected it the drawer changed his mind and stopped payment. Can the payee enforce the check against the drawer?

2. The maker of a note delivered it to the payee. The payee gave no consideration for the note, but the note contained the words "value received." The maker later refused to pay the note. Can the payee enforce it against him?

3. When the holder of a negotiable instrument brings action on it must he prove that value or consideration was given for it?

4. Is the fact that no consideration was given for a negotiable instrument always a defense?

5. A and B exchange notes. A is insolvent and his note is, therefore, uncollectible. Is B's note supported by a sufficient consideration?

6. A signs a note as maker and delivers it in exchange for another note, which he later discovers is void because of usury. Is A's note supported by a sufficient consideration?

7. A man signed a note payable to his son and delivered it to the son. The note recited that it was given in consideration of the natural love and affection existing between the father and son. If the father later refuses to pay can the son enforce the note?

8. After the statute of limitations had run against a claim the debtor gave the creditor his note for the amount of the debt. Can such a note be enforced by the creditor?

9. The maker of a note delivered it to the payee in payment of a claim against the maker's son. Can the payee hold the maker on the note?

10. A man made his note and delivered it to his wife in consideration of her agreement to withdraw all opposition to proceedings for divorce instituted by him. Can she enforce the note?

11. A gave his note to B in payment of a debt and by mistake made the note for an amount greater than the amount due. Can B enforce the note?

12. What is an accommodation party?

13. Is one who signs a note as surety an accommodation party?

14. What is an accommodated party?

15. A signed a note payable to X for \$2500 and asked B to indorse it for accommodation. B refused to indorse for the full amount, but did indorse it in this manner: "Mr. X. Pay on within seven hundred and fifty dollars." Is such a note valid?

16. In general to whom is the accommodation party liable?

17. A partner, without being authorized by the other members of the firm, signed the firm name on a note for accommodation. The note was negotiated to one who received it with knowledge of the accommodation character of the firm's indorsement. Can he hold the firm liable on the note?

18. A member of a firm, without being authorized by his partners, signed a note as maker in the name of the firm for the accommodation of the payee. The payee sold the note to one, who had no knowledge that the firm signature was for accommodation. Can the holder enforce it against the firm?

19. The maker of a note presented it to a bank for discount. It was payable to the order of a partnership and the partnership indorsement was on the back of the note. The bank discounted it without asking any questions. The partnership indorsed for accommodation, but the maker said nothing about this to the bank. Is the partnership liable on the note to the bank?

20. Is accommodation paper executed by one partner with the consent of the others valid?

21. A member of a firm, without the consent of his partners, signed the firm name on a note for accommodation. Can a holder for value of such note enforce it against the partner who signed?

22. Has a corporation the power to execute accommodation paper?

23. Is a corporation liable on paper signed by it for accommodation where the paper is in the hands of a bona fide purchaser without notice of the accommodation character of the corporation's signature?

24. An agent was authorized by his principal to sign paper as maker or indorser for the principal in the regular course of business. Would the principal be liable on a note signed by the agent in the principal's name for accommodation?

25. Can a married woman become liable as accommodation indorser?

26. Can the party for whose benefit ac-

commodation paper has been made enforce it against the accommodation party?

27. The president of a bank, who had borrowed money from the bank than the law permitted, persuaded a person to sign as maker a note payable to the bank, for the purpose of concealing the excessive loan from the bank examiner, it being understood that the maker would never be called upon to pay the note. Is the maker in any way liable?

28. A signed a note as maker for the accommodation of B, the payee. A subsequent holder compelled A to pay the note. Has A any rights against B?

29. Where the accommodation party has been compelled to pay the instrument what amount can he recover from the accommodated party?

30. What steps must be taken to charge an accommodation drawer or indorser with liability?

31. The maker of a note requested A and B to indorse for his accommodation, which they did. A indorsing first and B indorsing under A's indorsement. B was compelled to take up the note. Has he any rights against A?

32. The maker and indorser of a note both signed for accommodation. The indorser was compelled to pay the note. Can he sue the accommodation maker without first exhausting collateral securities which he received from the accommodated party?

33. A signed a note as maker for the accommodation of B, the payee. After maturity B sold the note for value to C. Can C enforce the note against A, the accommodation maker?

34. Is an accommodation maker of a note discharged from liability by the fact that the holder extends the accommodated party's time to pay, without the knowledge or consent of the maker?

35. Does the surrender of collateral securing an accommodation note, without the consent of the accommodation party, release the latter from liability?

### ANSWERS

1. No; the check is not supported by a consideration and consideration is essential to the validity of an instrument as between the original parties.

2. No; in spite of the words "value received" maker can show, in an action by the payee, that no value was given for the note and this is a good defense.

3. No; there is a presumption that the instrument was issued for a valuable consideration. The burden is on the party sued to show that no consideration was in fact given. *Negotiable Instruments Law, Sec. 50.*

4. As between the immediate parties, that is as between the maker and payee, or the drawer and drawee, it is a defense. It is also a defense as against a person who is not a holder in due course. But when the instrument is in the hands of a holder in due course want of consideration is not a defense. *Negotiable Instruments Law, Sec. 54.*

5. A's note is a sufficient consideration for B's note notwithstanding its insolvency. *Rice v. Grange*, 131 N. Y. 149.

6. A void note is not sufficient consideration. A is not liable on his note unless it gets into the hands of a holder in due course. *Sweet v. Spence*, 35 Barb. (N. Y.) 44.

7. Love and affection is not a sufficient consideration to support a negotiable instrument and the son cannot enforce the note. *Fink v. Cox*, 18 Johns. (N. Y.) 145.

8. While a moral obligation is not generally regarded as a sufficient consideration, it has been held that a note given under the circumstances recited is valid and binding. *Fall v. Dal*, 14 S. C. 247.

9. Yes; a note or bill given in payment of a debt due from a third person to the payee is supported by a sufficient consideration and will bind the maker or drawer. *Crombie v. McGrath*, 189 Mass. 550.

10. The note is founded on an illegal consideration and she cannot enforce it. *Foley v. Spier*, 100 N. Y. 552.

11. He can enforce it for the amount actually due. *Still v. Snow*, 66 Vt. 277.

12. An accommodation party is one who signs a negotiable instrument as maker, drawer, acceptor or indorser without receiving value, for the purpose of lending his name to some other person as a means of credit. *Negotiable Instruments Law*, Sec. 55.

13. No. *Peoria Mfg. Co. v. Huff*, 45 Neb. 7.

14. An accommodated party is one to whom the credit of the accommodation party is loaned.

15. It is a valid note for \$750. *Doughlass v. Wilkinson*, 17 Wend. (N. Y.) 431.

16. He is liable on the instrument to a holder for value and he is liable notwithstanding the fact that such holder, at the time of taking the instrument, knew he to be only an accommodation party. *Negotiable Instruments Law*, Sec. 55.

17. No; a partner has no implied authority to execute accommodation paper in the name of the firm. *Hendrie v. Berkowitz*, 37 Cal. 113.

18. Yes, if he is a holder in due course. *Edwards v. Thomas*, 46 Mo. 468.

19. No; the fact that the note was payable to and indorsed by the partnership and in the possession of the maker was notice to the bank that the endorsement was for accommodation. *Mechanics Bank v. Barnes*, 86 Mich. 632.

20. Yes. *Salamanca First Nat. Bank v. Weston*, 48 N. Y. Supp. 403.

21. The partner who signed is liable individually, just as if he had signed in his individual name. *Silvers v. Foster*, 9 Kans. 44.

## Advertising the Bank at the County Fair

WITH a bit of canvas and a good scene painter the Bank of New Richmond, Wisconsin, reached 15,000 potential depositors at the county fair.

There was no rest room on the grounds of the fair the officers found; so they had a first-class scene painter paint an exact reproduction of the bank front on a piece of twelve-ounce card. On a large space near and opposite to the entrance was placed a roomy, high-walled refreshment tent, the forward wall of which was the painted canvas. The canvas in the doorway and large show windows was cut away and the openings were framed in lumber. Behind the large window a counter was built from which souvenirs and various agricultural bulletins and pamphlets, advertising banking and insurance were distributed.

To arouse more interest, a large candy

22. It is beyond the power of a corporation to execute accommodation paper and it is not liable on such paper to one who receives it with notice of the accommodation character of the corporation's signature. *Hall v. Auburn Turnpike Co.*, 21 Cal. 255.

23. Yes. *Welster v. Howe Machine Co.*, 54 Conn. 304.

24. The principal would not be liable except to a bona fide purchaser on the paper without notice. *Bird v. Daggett*, 97 Mass. 494.

25. At common law a married woman could not become liable as an accommodation party, but by statute in some of the states she may now become liable in this manner.

26. No; as between them there is no consideration, a fact which is always a defense to the immediate action. *Chicago Title Co. v. Brady*, 165 Mo. 197.

27. It has been held that such a note may be enforced against the maker by the bank. *Bank of Dexter v. Simmons*, Mo. 204 S. W. Rep. 837.

28. Yes. *Pease v. Addicks*, 174 Pa. St. 543.

29. The amount which he was compelled to pay and expenses legitimately incurred by reason of the accommodated party's default. *Thompson v. Taylor*, 72 N. Y. 32.

30. The same steps as those required in the case of a drawer or indorser for value, namely, due presentment and notice of dishonor. *Miser v. Trovinger*, 7 Ohio St. 281.

31. In the absence of any agreement between them B can hold A for the full amount. As respects one another indorsers are presumptively liable in the order in which they indorse, but evidence is admissible to show that as between or among themselves they have agreed otherwise. *Negotiable Instruments Law*, Sec. 118.

32. Yes. *Maffat v. Greene*, 140 Mo. 48.

33. It is generally held that one who purchases paper under such circumstances acquires only the rights of the party from whom he purchased it. C. therefore, cannot enforce the note against A. *Coghlin v. May*, 17 Cal. 515.

34. No. *Wolstenholme v. Smith*, 34 Utah 300.

35. The accommodation party is released to the extent of the value of the collateral surrendered. *Dexel v. Pusey*, Neb., 77 N. W. Rep. 351.

Questions and Answers Pertaining to the Law of Banking and Negotiable Instruments. Consideration and Accommodation Paper. By W. R. Ginn. *Banking Law Jour.*, May '20 p. 247.

jar full of new Lincoln pennies was placed in the window and everyone was invited to write down his name and address together with the number of pennies he thought were in the jar. The jar full of pennies was given away as a prize on the last day of the fair.

To advertise the guessing content and the bank's rest room handbills were distributed at the gate and advertisements were run in the county's principal newspapers.

When the same advertising was repeated two weeks later at another county fair in the neighborhood more emphasis was placed on advertising insurance, especially automobile and live stock insurance. Automobile insurance placards were tacked up wherever cars were likely to be parked, and handbills emphasizing the need for automobile theft insurance were given to every car owner as he was about to park his car. Large signs urging owners of valuable live stock to insure their animals

against death from any cause were also nailed up in and around the show stables.

At both fairs the New Richmond bank's advertising was conspicuously successful.

Yours "From" at the County Fair, *Burlington Clearing House June 20 p. 11.* 500 words. 1 illus.

## Bonus Plan Cuts Errors

BY inaugurating a simple bonus system for the tellers, bookkeepers and the clerks in the transit department, the United Commerce National Bank of Cleveland, has been able to lessen accounting errors and at the same time to encourage more diligent individual effort all along the line. A daily bulletin is issued and all commendable work receives notice. If an employee's name does not appear from time to time in the bulletin, his colleagues know that his work is faulty somewhere. Thus, the plan appeals to the pride of each worker and it rewards him, too, in a material way each month. The bonus plan applies to the bookkeepers and tellers and the clerks in the transit department. Each month a bonus of \$5 is given to the bookkeeper who has no clerical errors reported by customers and another bonus of \$5 is also given for sending all checks back without error.

Bonus Plan to Cut Errors and Hold Workers. By Jackson Heywood, *Bankers Monthly Mar '20 p. 16.* 1500 words.

## Proposed Platinum Currency for Russia

THE Russian Soviet publication, *Krasnaya Gazeta*, recently stated that, owing to the lack of currency that will be accepted outside of Russia, the Russian Soviet Government has devised a plan for issuing a special form of currency, to be used only for payments to foreign countries, against which a platinum reserve will be established. According to this authority, 65,000,000 rubles of such currency will be issued in the form of bank notes of 50, 100, 1000 and 5000 rubles, and these bank notes will have behind them a platinum reserve equivalent to 37,500,000 gold rubles, or 50 per cent.

Obviously, even if this project were carried out it would prove futile, since no foreign countries can have any confidence in banking and currency arrangements made and controlled by the Russian Soviet Government. There is, however, a certain interest in the novelty of using a platinum instead of a gold reserve. Yet the novelty is more apparent than real. In the first half of the nineteenth century, after the discovery of platinum in the Ural, the Russian Government issued a platinum coinage, the intrinsic value of the coins being about one-third to six times that of silver, and only a little more than one-third that of gold, whereas in 1910 platinum sold at five times the value of its weight in gold.

The Russian platinum coinage, according to Dr. Georges F. Kunz, an authority on gems and the precious metals, began in 1828 in the reign of Nicholas I. It consisted of 3-ruble, 6-ruble and 12-ruble pieces, worth (at par) \$2.40, \$4.80 and \$9.60. By decree of June 22, 1845, the further coinage was stopped, on account of the rise in the value of platinum and the consequent exportation of the coins for their metal worth. The nominal worth of all the coins made was \$3,000,000, but the metal in them would now bring \$50,000,000. Probably the great demand for platinum for electrical uses in the '60's caused the melting down of most of these coins, for they are now extremely rare.

Reported Project of the Russian Soviet Government to Issue Currency Based on Platinum. *Economist H-102 Mar 12 '20 p. 738.* 100 words.

# THE INVESTMENT MARKET

## What Is A Stock Dividend?

A Series of Letters Which Passed Between Senator Knute Nelson of Minnesota and a Member of the American Institute of Accountants Illuminates a Subject Which Is a Puzzle to a Number of People

**T**he *Journal of Accountancy* makes the flat statement editorially that "Probably not one per cent of the population of the United States could give anything approaching an intelligent definition of the phrase 'stock dividend.'" In view of the tremendous importance of the supreme court's decision in the case of *Eisner vs. Macomber* declaring stock dividends exempt from income taxation, the editor finds this widely prevalent ignorance "regrettable," but exorable on the part of the public not concerned in investment in securities. But it seems to it altogether amazing that a complete misunderstanding of its import should be found in the halls of our national legislature.

That such a misunderstanding does prevail it feels is proved by the following series of letters between a member of the American Institute of Accountants and Senator Nelson of Minnesota.

Minnesota, Minn., Mar. 27, 1920.  
Honorable Knute Nelson, U. S. Senator,  
Washington, D. C.

Dear Sir:  
Dispatches printed in the Minneapolis papers indicate that you have introduced a bill in the Senate providing for a constitutional amendment by which stock dividends would be declared to be income to the recipient.

I know of no sound economic reasoning by which such stock dividends could be considered income. My experience in preparing federal income-tax returns convinces me that a change in the law as provided in the bill you are reported to have introduced would add one more inequality to those now existing in our tax system. I therefore urge that you reconsider your action, especially in the light of the majority opinion handed down by the Supreme Court in the case of *Macomber v. Eisner*.

I also wish to express the opinion of a humble voter that the Congress can do nothing which would please the residents of these United States more than immediately enacting a budget bill such as we have been promised for a number of years, but which has so far failed to materialize.

Yours very truly,  
A. F. WAGNER

UNITED STATES SENATE  
Committee on the Judiciary

Mar. 30, 1920.  
Mr. A. F. Wagner, Security Building,  
Minneapolis, Minn.

My Dear Mr. Wagner:  
Your favor of the 27th is at hand. I regret I cannot agree with you.

If the majority of the decisions (six) of the Supreme Court prevail, all dividends of corporations can get immunity from taxation by being paid off in stock instead of cash. It is not only an evasion of the spirit of the law to some stock instead of paying cash to evade the income tax, but it also entails additional burdens on the public, because the corporations will always insist on having an income commensurate with the stock it issues.

Besides there is a great discrimination between an income of corporations and the income of a partnership. Partnership may be engaged in the same business as a corporation, and may have secured the same class of profits, but they cannot create liability by issuing new stock. The dividends will be paid in cash.

I am sorry to see that such a narrow view of the situation. If the theory of the decisions is carried out, all incomes from corporations can receive immunity by the issuance of stock dividends.

Yours very truly,  
KNUTE NELSON.

Minneapolis, Minn., April 2, 1920.  
Hon. Knute Nelson, U. S. Senator,  
Washington, D. C.

Dear Senator Nelson:  
Your letter of Mar. 30, relative to stock dividends is at hand, and a careful reading thereof

leads me to believe that you have been misinformed as to some of the provisions of the revenue act of 1918. In the first place, the issuing of the stock dividends in no way reduces the tax paid by a corporation; inasmuch as the corporation pays both income and excess profits taxes on all income whether distributed or not. The taxability of stock dividends thus in no way affects the tax paid by the corporation, but merely changes the tax paid by the recipient of the dividends. You must realize that in an expanding business it is impossible to pay out all the earnings in the form of cash dividends. Therefore, stock dividends are allowed to remain in the corporation's surplus account, and before this country had an income-tax law it was customary for corporations to declare stock dividends which showed their stockholders that earnings had been retained in the business instead of being paid out in cash. The recipient of such a stock dividend has no money from this dividend until he sells the stock. Under the decision of the Supreme Court in the *Macomber v. Eisner* case, the person who receives the dividend will have to pay a tax on such amount when he disposes of the stock received as dividend and receives cash or some other consideration therefor.

Since the recent decision of the Supreme Court, I have talked with numerous attorneys, economists and accountants, and they are all of the opinion that the decision was based on sound doctrine.

The paragraph in your letter relative to the discrimination between corporations and partnerships is very difficult to understand. In view of the reasons of the revenue act, I have advised my clients in entering into new enterprises to form a partnership instead of a corporation, because the federal taxes on income would be an asset in total under the partnership form. If you will read section 211 of the revenue act, you will find that partnerships are not subject to any tax. The individual partner pays a tax on his share of the earnings, whether distributed or not. A corporation pays a tax on all of its earnings whether distributed or not (usually at a higher rate than applies to members of a partnership), and in addition, the stockholders of the corporation pay a tax on all earnings distributed to them in the form of cash. Thus the distributed earnings of a corporation are taxed twice, once against the corporation

when it earns them and, second, against the stockholder when he receives them. Therefore, if there is any discrimination between the tax on the income of corporations and on the income of partnership, the discrimination is against the corporation and in favor of the partnership instead of as stated in your letter.

I do not see how you reason the statement made in the last part of your letter that "If the theory of the decision is carried out all incomes from corporations can receive immunity by the issuance of stock dividends." If you have ever been an officer of a corporation, you know that the stockholders want to receive dividends in cash, and make life unpleasant for the officers unless they do receive such cash dividends. Furthermore, if they receive a stock dividend which is worth nothing and sell it, the stockholder has to pay a tax on this. In addition, the corporation itself has already paid a tax on all of its earned income. Where is the stimulus?

Unless I hear from you to the contrary, I shall take the liberty to send your letter to the American Institute of Accountants.

Thanking you for your prompt reply, I am,  
Yours very truly,  
A. F. WAGNER.

UNITED STATES SENATE  
Committee on the Judiciary

April 5, 1920.  
Mr. A. F. Wagner, Security Building,  
Minneapolis, Minn.

Dear Sir:  
Yours of the 2d is at hand. I can only say in reply to the name at this moment, that last week I withdrew from the Senate of the U. S. to go to pay, out in Colorado, declared a two hundred per cent stock dividend, to the great relief of the stockholders.

Yours very truly,  
KNUTE NELSON.  
Confusion in High Places. *Insur. of Accountancy* May 29 p. 339. 2500 words.

## Searching Erie's Garret for Bargains

**E**XCLUDING equipment trusts, Erie Railroad, with subsidiaries and leased lines, has outstanding forty-four bond issues, not including two series issued under a new refunding and improvement mortgage and pledged for short-term notes or loans. In addition, New York, Susquehanna & Western, a controlled property, has outstanding seven bond issues and three series of equipment trusts. And out of all these "oddments" in Erie's garret Charles Remington finds the Chicago & Erie first 5s and Erie prior lien 4s could be classed as investments, and the New York, Susquehanna & Western refunding 5s and Wilkes-Barre & Eastern first 5s as speculative investments. Erie prior lien 4s are secured by direct mortgage on the Erie trust on 1645 miles of road, of which 938 miles are double-track, and on 69 miles of leaseholds. On the total mileage they are outstanding at the rate of \$21.22 a mile and including the first 5s at the rate of \$63.82. In the event of a foreclosure of the mortgage the situation would be complicated by the fact that the general lien 4s are issued under the same mortgage. If the interests of the two clashed, as is quite possible in the present outlook, it might be more difficult for the holders of the prior lien 4s to control the action of the trustee. The superiority of the prior liens to

the general liens, however, is so clearly stated in the mortgage as to leave small chance of their being sacrificed in the interest of the junior lien. One of the best secured bonds in the list of Erie's obligations is the Chicago & Erie first mortgage 5 per cent, of which \$12,000,000 is outstanding. It is secured by an absolute first mortgage on the main line from Marion, Ohio, to the Indiana-Illinois state line, a distance of 250 miles, of which 224 miles are double track. The loans are outstanding at the rate of \$48,077 a mile. New York, Susquehanna & Western's first refunding 5s of 1927, of which \$3,745,000 are outstanding, are secured by a first mortgage on 65 miles of road forming the western part of the property, and by a second mortgage on 72 miles, subject to \$3,488,500 Midland Railroad first mortgage from New York Central to their prior lien equity, it is probable that the second lien has some tangible value, as the equity for the Midland Railroad 5s is very large. The refunding 5s are followed by \$447,000 second 4½s and \$2,552,000 general 5s, a total of \$2,999,000. The Wilkes-Barre & Eastern, consisting of a 65-mile outlay to the East from the coal district, carries a very heavy traffic and enjoys considerable rental income from New York Central. New York, Ontario & Western and other roads. It is important to New York, Susquehanna & Western and could stand alone. Its standard return was \$185,000,

compared with interest charges of \$150,000, and it should be able to earn more than Federal rental under increased freight rates. It has outstanding \$3,000,000 first mortgage 5 per cent bonds, or at the rate of \$46,153 a mile.

Dismissing New York, Susquehanna & Western stock, which is of little value, there are \$3,000,000 junior bonds, holders of which, in order to realize anything, must protect the refunding 5s of 1937 and the Wilkes-Barre & Eastern 5s. If holders of the two senior lien bonds, acting in concert with holders of Midland Railroad 5s, were forced to take the property, they could doubtless operate or sell it at a profit.

Searching Erie's Garret for Bargains. By Charles Remington. *Mag. of Wall St.*, June 20 '20 p. 224. 1700 words.

## DIVIDENDS AND NOTICES

### Middle States Oil Corporation DIVIDEND No. 32

The Board of Directors of the Middle States Oil Corporation, at their regular monthly meeting July 20, declared a quarterly cash dividend of Four Per Cent (4 per cent) on the capital stock of the Corporation, payable October 1, 1920, to stockholders of record at the close of business September 10, 1920.

C. A. EASTMAN,  
Secretary.

## GRACE LINE

DIRECT PASSENGER SERVICE  
BETWEEN

NEW YORK—PERU

and CHILI

VIA PANAMA CANAL

NEW AMERICAN STEAMERS

"SANTA ANA"

"SANTA LUISA"

"SANTA ELISA"

"SANTA TERESA"

W. R. GRACE & CO.  
AGENTS

10 Hanover Square - - New York  
TELEPHONE, BOWLING GREEN 4630

## Will the Old Missouri Pacific System Be Reassembled?

It seems inevitable, as a part of the plan to consolidate all the railroads into stronger systems, that the old Missouri Pacific (or "Mop") System will be put together again. At present the reorganized Missouri Pacific-Iron Mountain, with its control of the Texas & Pacific, the bankrupt Denver & Rio Grande and the reorganized Western Pacific, are three independent roads exchanging traffic. Denver & Rio Grande is the natural link between the Missouri Pacific on the east and the Western Pacific on the west. There are unmistakable signs that the three roads will soon be owned by two, and it is even possible by one company. Actual control of Denver & Rio Grande rests temporarily, of course, with the receiver; stock control, while of no importance, is scattered; and Missouri Pacific and Western Pacific are maneuvering for permanent control.

When the Government took them over both Missouri Pacific and Western Pacific had made a very poor showing in the test period, compared with their respective results in the calendar year 1917. Missouri Pacific, however, accepted standard return as rental, while Western applied for additional compensation. On the other hand, the test years were fairly good ones for Denver & Rio Grande, which accepted standard return. Denver & Rio Grande earned somewhat less than rental in 1917, 1918 and 1919. Missouri Pacific earned a great deal more than the equivalent of its rental in 1917, fell a little short in 1918 and made a wretched showing in 1919. Western Pacific earned considerably more than standard return in each of the three years.

But in the first two months of 1920, eliminating back mail pay, Denver &

Rio Grande earned 140 per cent of standard return, weighted for seasonal traffic, Missouri Pacific 90 per cent, Western Pacific 270 per cent. This showing was made in a period when all the roads under Federal control reported an operating deficit, earning less than nothing on their rentals, after eliminating back mail pay. Whatever form the consolidation may take, it is obvious here is something worth putting together.

Reassembling the Old Mop System? Recent Events Indicate Effort to Put Together Again Missouri Pacific, Denver & Rio Grande and Western Pacific—Position of their securities. By Ilva Hyde. *Mag. of Wall St.*, May 1 '20 p. 947. 8000 words. 1 table.

## The New Ford Soon to Come Out

NO telling how many jokesmiths will get busy now that the new Ford has been perfected and will soon be used as pattern for millions like it to supplant the old Ford motor car.

The new model was one of the "bees" in Henry Ford's bonnet when he started to get control of the entire Ford Motor Company stock within the Ford family. Experiments have gone forward for months in a workshop close to the Ford home in Dearborn, and announcement that the new type automobile was perfected followed the payment of \$35,000,000 made by Ford recently to clear up the \$60,000,000 commercial note issue arranged by the company a year ago.

The body of the new car will be entirely of metal. One of the biggest differences between the new and the old automobile, however, is in the motor, from which Ford has aimed to eliminate every particle of vibration.

Ford's threefold plan is to scatter to every corner of the world a tractor, a truck and a passenger automobile. To effect it he has plunged into enormous deals, which have given him control of his own lumber, coal mines, steel blast furnaces, and even a railroad.

## Unprecedented Boom for Canadian Paper Stocks

CANADIAN paper companies' securities have had an unprecedented boom this year, showing advances of up to 300 points over the low prices early in the year. This is scarcely surprising as it is said that were it not for the large exports of paper across the United States border the Canadian exchange rate would show a larger decline from normal than it now does.

Production of newsprint in Canada would seem to bear out the prophecy that in ten years they will pass us in output. In 1909 we produced 1,176,000 tons; Canada, 150,000

## EVERY INVESTOR OR TRADER

Needs the up-to-date records contained in 576 page monthly booklet.

### The Investor's Pocket Manual

Furnished FREE by any investment banker or broker on application; OR for 50c. per copy, postpaid number will be sent by

Financial Press, 116 Broad St., New York City

## INDUSTRIAL STOCKS

## 1911 to 1920

Steels      Tobaccos      Oils      Retail  
Coppers      Papers      Rubbers      Stores

ANALYZED AND COMPARED (in charts)

Definite suggestions are made regarding their trend this summer and fall.

Send for free Bulletin

## BROOKMIRE ECONOMIC SERVICE, INC.

The original system of forecasting from Economic Cycles

56 PINE STREET

Consulting Offices

NEW YORK



tons. Last year American output was 1,375,000 tons, while Dominion production was 808,000 tons.

Conservative estimates place the capital invested in the Canadian pulp and paper industry at \$225,000,000. The United States with its numerous newspapers furnishes a constantly expanding market for the output.

Among leading Canadian paper stocks showing conspicuous advances during the year are:

Company:	Low for Year	High for Year
Abitibi Power & Paper.....	63	438
Brompton Pulp & Paper.....	25	247
Laurelville Co., .....	82	351
Price Bros., Ltd., .....	155	306
Spanish River Pap. com.....	17	11½
Spanish River Pap. pld., .....	64	165
St. Maurice Paper .....	80	165

## Hornblower & Weeks

Established 1988

42 BROADWAY, NEW YORK

### Investment Securities

## MEMBERS

NEW YORK, BOSTON AND CHICAGO STOCK EXCHANGES

**Direct wires to all principal markets**

Boston

## Providence

## Chicago

## Detroit

Portland

## News of the Week

**CURTISS AEROPLANE & MOTOR  
CO.**

The Hazelhurst field, comprising about 135 acres near Mineola, L. I., has been bought by the Curtiss Aeroplane and Motor Co., from the Hempstead Plains Co. During the war the government leased the field as a training ground for aviators. It is said that the Curtiss interests will use the field temporarily for experimental and manufacturing purposes but later will abandon their Buffalo plant and make it the headquarters of the company.

GUARANTY COMPANY OF NEW  
YORK, Inc.

The handling of investment securities by the Guaranty Trust Company of New York has grown so much that the Guaranty Company of New York, Inc., a \$5,000,000 corporation, has just been formed by the elder company to handle its bond department. All of the capital stock of the new company will be subscribed for and held by the Guaranty Trust Company. Charles H. Sahin, president of the trust company, also will be president of the new company. **Adly S. Suleman**, secretary of the new company, is a member of the New York Bar.

concern. Harold Stanley and Joseph R. Swan, directors of the company, are expected to be officers of the new company, and the directors will be the managing committee of the trust company, which is composed of Albert Breton, W. Talen Egan, W. H. Harrison, Harry S. Jones, Jr., and Francis H. Wilson. The new company, in addition to taking over the trust company's bond department, will have thirty-one branches, including offices in New York City, Philadelphia, St. Louis, Madison Avenue branches. Among the more important out-of-town offices will be those in Philadelphia, Pittsburgh, Hartford, Boston, Albany, Worcester, Portland, Me., Providence, Detroit, Chicago, Minneapolis, St. Louis, Kansas City, San Francisco, Los Angeles, Atlanta and Baltimore. The main office will be located at 60 Wall Street, New York City, where active operations about Oct. 1.

IMPERIAL ELECTRIC RAILWAY  
CO., Tokyo

Cable advices from Tokyo state that a bill has been introduced by government in Japanese Parliament creating Imperial Electric Railway Company. Aim of bill is to establish electrical power supply for railroad, and to gradually convert steam railroads to electric. Capital will be 100,000,000 yen (\$50,000,000) of which one-half will be invested by the government and its dividend will be 10 per cent. In case of profit the government will grant the paying of 6 per cent, no dividends will be paid on stock owned by government but will be applied for dividend on the privately owned stock.

**INTERNATIONAL MOTOR TRUCK  
CORPORATION**

The first exclusively truck manufacturing concern in the United States was the Mack Bros. Motor Car Co., which is owned by International Motor Co. of Delaware, which in turn is owned by International Motor Truck Corporation. Mack trucks date back to 1905. Truck capacities are 1½, 2, 2½, 3, 4, 5 and 7½ tons; and tractors up to 15 tons capacity. In 1916 the company was reformed as International Motor Truck Corporation, which issued its own stock for notes and stock of the Delaware corporation and

About \$1,506,000 cash. In 1919 the corporation acquired thru exchange of stock the assets of the old company, which had been organized in the east of Liverpool. In 1914 sales were \$2,785,074 and production of trucks 844. In 1919 trucks numbered 1,000 and sales \$2,900,000. In the March, 1920, quarter the company produced 1,000 trucks and sold them for \$2,900,000. By May 23d, 1920, production is at the rate of 10,000 trucks annually, yet the sales department has not been able to dispose of all the trucks. The price now is \$10,921,500 first preferred and \$5,381,700 second preferred stock, both 7 per cent issues. Has outstanding common represents an increase from \$1,506,000 to \$1,500,000. The company has no dividends and sales of two shares at \$50 each for each one outstanding before the stock dividend. The new shares are not to be paid until the year 1921 as a company treasury. The last installment of the \$10,000 share will be paid in 1921. This stock is not to be paid until Nov 24, next. Consequently the effect of this additional capital has not yet elapsed for operations to reflect in any emphatic way the cure of the Wright-Morris plant and cash. As against the current 10,000 rate, earnings were \$1,500,000. The company has a right to call back to over \$4 a share after taxes on the quadrupled common stock issue, and for the first four months of 1920 it has received \$1,500,000.

## NATIONAL CITY BANK

A special meeting of the shareholders of the National City Bank will be held August 26, to take action upon a proposition to increase the capital stock of the bank from \$25,000,000 to \$40,000,000 by the issue of 150,000 additional shares of \$100.00 each.

OTIS ELEVATOR CO.

**Statement of Otis Elevator Co.** covering operations for the six months ended June 30, 1920, shows that earnings are running at the rate of \$29 a share on the common stock against \$24 a share for the same period in 1919 fiscal year. Earnings statement for the first half of this year showed net after depreciation and depletion charges, income taxes, general taxes and interest charges on debentures leaving \$1,550,562 available for dividends. Requirements for dividends for the first half of 1920 amounted to \$195,000, leaving \$1,355,562 available for dividends. The balance of the year was \$4,484,818 more outstanding. Practically the whole of the original \$3,800,000 6 per cent debentures has been paid off. The balance of common stock. At the close of the 1919 fiscal year there was \$5,500,000 common stock outstanding. The balance of the year was \$4,484,818 more outstanding brought the amount up to \$9,984,818. Gross earnings for the first half of 1920 were \$1,355,562, \$5,000,000 monthly, bearing out the prediction made earlier that gross this year would probably be \$60,000,000. The balance of the year was \$4,484,818 more outstanding. With the conversion of the \$3,800,000 6 per cent debentures into common stock, it is hoped that the company will be able to continue its expansion program. In figuring earnings for the year it should be borne in mind that the elimination of the \$3,800,000 6 per cent debentures from the common, so that it is probable that earnings for the full year, even at their present rate will exceed the earnings for the first half of 1920. The continuation of good earnings through the last half of the year will be a great asset to the company. It is also probable that the company will be able to purchase of an additional plant has been spoken of. The company has a great many of the new kinds of new buildings are being constructed and the company is a great many of which require elevator service.

## THE WALL STREET OUTLOOK

Is a weekly review of fundamental market conditions, containing unbiased and authoritative reports on securities.

COPY GRATIS ON REQUEST

FLORIAN. THORNE & CO

83 Pine Street New York  
Connections with all principal exchanges

## UNION OIL OF DELAWARE

Union Oil Co. of Delaware, has acquired control of Central Petroleum Co., for which a daily net production of 4003 barrels of oil in the Midcontinent region was reported in the first quarter under lease. Of which 26,000 acres are in Oklahoma, and 120,000 acres, 12,800 acres in Texas. The company owns 100 per cent of the stock of the Wolverine Petroleum Co., which produces 100 and 100 per cent of the preferred stock of the Sagamore Oil & Gas Co., 99 per cent of the stock of the Texas Petroleum Co., 100 per cent of the stock of Ruth-Argue Marine Bros. Oil Co. and, in addition, has a 50 per cent interest in the control of Central Petroleum Co. is understood to have been acquired thru purchase of Texas Co.'s approximately 150,000 shares of the total outstanding stock of the company, which was valued at a consideration of \$4,000,000, or about \$23 a share. The company is acquiring approximately 100,000 shares of the stock of Central Petroleum Co. also has outstanding 60,000 shares of preferred (par \$100)

## WILLIAM WRIGLEY, JR., &amp; CO.

The net profits of Wm. Wrigley, Jr., & Company, "Wrigley's" gums, Chicago, for 1919, are reported as \$4,139,897 after deduction of preferred dividends and income taxes. Sales in 1919 are reported as \$27,417,412 against \$16,708,160 in 1918, a gain of 64.74 per cent.

THIRD AVENUE RR.

The road has filed an application for a franchise to run a bus line on Dyckman Street, Nagel Avenue and Tenth Avenue, New York, at a 5-cent fare with a 3-cent transfer charge to the Third Ave. line.

RIORDAN CO., Ltd.

The company was incorporated in Canada, on or about June 2, with a total capitalization of \$80,000,000.



# The Chemical National Bank of New York

FOUNDED 1824

**CAPITAL** **\$4,500,000**  
**SURPLUS & PROFITS** **14,500,000**  
**TOTAL RESOURCES** **225,000,000**

## OFFICERS

PERCY H. JOHNSTON, President	HERBERT K. TWITCHELL, Chairman of Board	EDWIN S. SCHENCK, First Vice-President
FRANK K. HOUSTON, Vice-President	JOHN G. SCHAEZEL, Assistant Cashier	JOHN B. DODD, Assistant Cashier
FRANCIS HALPIN, Vice-President	SAMUEL T. JONES, Assistant Cashier	CLIFFORD B. DUNHAM, Assistant Cashier
ISAAC B. HOPPER, Vice-President	SAMUEL SHAW, JR., Assistant Cashier	ROBERT D. SCOTT, Assistant Cashier
CLIFFORD P. HUNT, Vice-President	WILBUR F. CROOK, Assistant Cashier	N. BAXTER JACKSON, Assistant Cashier
JESSE M. SMITH, Cashier	ROBERT B. RAYMOND, Assistant Trust Officer	ERNEST J. WATERMAN, Assistant Trust Officer
EDWARD H. SMITH, Trust Officer		
ALBION K. CHAPMAN, Assistant Cashier		
EDWIN GIBBS, Assistant Cashier		
JAMES L. PARSON, Assistant Cashier		
JAMES McALLISTER, Assistant Cashier		
HENRY M. ROGERS, Assistant Mgr. Foreign Dept.		

## DIRECTORS

FREDERIC W. STEVENS	WILLIAM FELLOWES MORGAN	CHARLES A. CORLISS
W. EMMEN ROOSEVELT	ARTHUR ISELIN	JOHN A. GARVER
ROBERT WALTER GORELET	GARRARD COMLY	HERBERT K. TWITCHELL
DARWIN P. KINGSLEY	HENRY A. CAESAR	PERCY H. JOHNSTON
CHARLES CHENEY	FREDERIC A. JULLIARD	EDWIN S. SCHENCK
	RIDLEY WATTS	

## United Light & Railways Company

**5% First & Refunding Mortgage Gold Bonds**  
**6% First Preferred Stock (Cumulative)**

A Public Utility Company, operating Artificial Gas, Electric Light and Power, and Electric Railways serving more than Fifty prosperous communities in the States of Illinois, Iowa, Indiana, Michigan and Tennessee.

Surplus Earnings applicable to dividends on the Preferred Stock have averaged more than twice the dividend requirement on the stock issued, and dividends have been regularly paid at the rate of 1 1/4% each quarter (January, April, July and October 1) since the organization of the Company in 1910.

Dividends at the rate of 1% quarterly are now paid on the Common Stock issue.

Your broker will furnish Earnings Statement and all other information for the guidance of the careful investor.

## United Light & Railways Co.

Chicago, Ill. Grand Rapids, Mich. Davenport, Iowa

## Says a Reader of Many Years Standing:

"I do feel that your paper is the most interesting and readable financial journal published in this country and, perhaps, in the entire North American Continent. Each week I somehow find time to read every word of it—mostly in bed, late at night. I find I have to read 'The Financial Post' in order to maintain myself properly abreast with the bigger things and movements taking place in this country."

THE FINANCIAL POST is published for men who are interested in big things—not necessarily men who personally have big financial interests at stake, but for men who are eager to know what is happening that will have a bearing on business and the well-being of Canada generally.

THE entire editorial organization of the MacLean Publishing Company is at hand to co-operate with the editors of THE FINANCIAL POST. Specialists in many businesses write for THE POST. A practical farmer, in constant touch with the farming conditions, deals with crop prospects.

THE POST is a paper edited by specialists for business specialists.

## The Financial Post

MONTREAL TORONTO WINNIPEG  
 128 Bloor St. 143 University Ave. Union Trust Bldg.

Subscription Price per year (\$2 issues) \$5.00